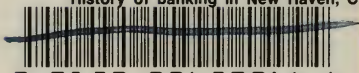


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A HISTORY OF BANKING  
IN  
NEW HAVEN, CONNECTICUT



*Press of THE WHAPLES-BULLIS CO., INC., New Haven*


A HISTORY OF BANKING  
IN  
NEW HAVEN, CONNECTICUT

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A HISTORY OF BANKING  
IN  
NEW HAVEN, CONNECTICUT



## INTRODUCTION

### PRE-BANKING DAYS

THE OLD New England settlement of New Haven became the city of New Haven on January 8, 1784, three years after the charter of the Bank of North America of Philadelphia was granted in 1781, and 68 years after Yale University had moved into the town in 1716. New Haven's fine harbor had played an important role in the growth of the city, and exports had reached a total of \$142,000 in 1774, consisting primarily of farm products and livestock. As Washington approached the end of his first term as President of the United States in 1792, fifty-seven American and five British vessels were registered in the New Haven Custom House books, many of which were owned locally. The first bridge across the Quinnipiac and Mill Rivers just above the harbor, the Tomlinson Bridge, was opened for foot traffic in April, 1798. The census of 1787 shows a population of 3,820 persons living within city limits.

In the years preceding incorporated banks, money was scarce. There was an increasing need for capital and a safe place to store accumulated wealth until needed. Farmers needed capital to plant crops. Merchants needed capital at times when merchandise could be obtained. Only a small amount of currency and coins were available to take care of the financial needs of the community. Many of the merchants in Connecticut and Massachusetts carried open accounts on their books, many for long periods of time.<sup>1</sup> This

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<sup>1</sup>Williamson, Harold F., editor, *The Growth of the American Economy—Money and Commercial Banking, 1789-1861*, (Prentice-Hall, Inc., New York, 1944), p. 257.

was done by loaning the proprietor's capital, and by borrowing and relending funds which could be borrowed from their friends in the community. The merchants actually carried on the functions of banking with the exception of issuing currency. Some of the storekeepers carried on their books accounts that would be equivalent to savings accounts. As a result banks and banking were looked upon with favor by all those who needed money or had it to save.

F. G. Markham, in his article in the *Connecticut Magazine*, writes that *The Connecticut Gazette* #1504 of New London on September 6, 1792 published the following article: "The trade and manufacturers of this state have long struggled under the want of a capital proportioned to the industry and enterprises of its citizens—that want may now be supplied by means of banks established in New London and Hartford. Every useful occupation and every industrious citizen may be assisted with money as circumstances may require and justify, but in order to carry the means into its fullest effect their bills must circulate among all ranks of people freely as money—it behooves, therefore, every well wisher to the prosperity of the community to give credit to the notes of banks. The notes of the banks will be found more convenient for a circulatory medium and may be kept by the owners in greater safety than hard money and none of the apprehension of any deception in them, as the promise on the face of them will be carefully and punctually filled."

In 1791 the first bank of the United States was chartered by the Federal Congress, although many prominent people opposed it, believing that Congress had no constitutional authority to grant a charter.

New Haven's population continued to grow slowly, and a need for business loans was apparent. To borrow money in New Haven, it was necessary to advertise for a loan in the local papers. Two such advertisements that appeared in 1793 were: "Wanted to hire: \$200 at 6% interest, for which good landed security will be given.";

and: "A small bill on Savannah, payable at sight—For sale by Horace Beardsley."<sup>2</sup>

In pre-banking days, currency consisted of continental currency, ranging from one-sixth of a dollar to eighty-dollar papers; Colonial notes printed in Connecticut ranged from twopence to forty shillings. Coins were few, and those in circulation were mostly of foreign countries. Many Connecticut pennies of more than three hundred different die patterns were minted in New Haven from 1785 to 1788. Spanish silver dollars passed hands frequently and were used in export trading. These were equal to six shillings. The first coins manufactured by the authority of the United States Government were made in the New Haven Mint on East Water Street in 1787. They were copper coins, now called the Fugios cents, minted with "The United States—We Are One" on one side and on the reverse side some had "Mind your business," while others had Liberty with an olive branch. The history of The John E. Bassett & Co., one of New Haven's oldest stores, relates that Messrs. Broome & Platt, under government supervision, minted in New Haven around 1784, coins which they called "ring coppers," (Fugio cents). The Bassett Co. had purchased The Broome & Platt concern's safe and many years later, Mr. Bassett found lodged in a corner of the safe one of these Fugio cents in good condition.

F. G. Markham, in an article on early coinage in America, writes that New York State coins, which were not authorized by that state, were minted in New Haven bearing the date 1787. These coins bear the name "Nova Eborac" or New York. Connecticut coins minted in New Haven were struck in copper, silver and even gold. Minters of coins were required to give to the state treasury one out of every twenty coins made. His article mentions, too, that Connecticut was one of the first states to issue paper money, dated from

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<sup>2</sup>Mitchell, Mary H., *A Century and A Half of Banking in New Haven* (Yale University Press, 1942), p. 4.

1709 to 1780. This currency circulated as late as 1839 at a greatly depreciated value. Connecticut minted more coppers than any other colony, around 1737.<sup>3</sup> It was in 1792 that the United States Mint was established. In the book *They Found A Way* by Iveagh Hunt and William H. Sterry is written, "War costs money! When the colonies won their freedom from Britain in the American Revolution, money was scarce, until Abel Buell invented his coin press in 1775 and started stamping out 120 copper coins a minute. Operating at the New Haven Mint, Mr. Buell's machine produced four thousand pounds worth of coppers during a three-year period."

As the need for new capital for business and agricultural purposes grew, it became apparent that the only reasonable solution was for a bank to be opened, if the city was to continue to grow. Capital was also needed to finance shipping which also played an important part in the city's progress, for the harbor was one of the best in the New England states. A new bank would also provide the necessary new currency for trading and, if properly managed, a currency that would bring stability to the financial business of the community. The leaders of the city also realized that by investing their surplus money in the capital stock of a bank they could expect to receive in return a reasonable income in the form of dividends.

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<sup>3</sup>Clark, G. L., *History of Connecticut* (G. P. Putnam & Sons, New York, 1914), p. 318.



## CHAPTER I

# EARLY BANKING IN NEW HAVEN

1792 - 1825

NEW HAVEN'S early banking history began in 1792 with the incorporation of the New Haven Bank. This corporation founded by the civic leaders and men of ability and wealth in the community under the management of capable presidents, officers and directors has grown with the community. The second bank, the Eagle Bank, which can be referred to as the black sheep of the family, was founded in 1811 and closed its doors in 1825, a disastrous ending. The Savings Bank of New Haven, the third bank to open, had a short life, opening in 1820 and closing in 1825 also. Undoubtedly it was conservatively managed but made the mistake of doing business with the Eagle Bank. The Mechanics Bank, the fourth bank to open, 1824, will be discussed in Chapter II.

## NEW HAVEN BANK

IN FEBRUARY, 1792, an advertisement appeared in the local newspaper that a meeting would be held on February 15th for a discussion on the merits of opening a bank in New Haven. On February 15th *The Connecticut Journal* of New Haven ran this advertisement—"The meeting held at Mr. Thomas Atwater's respecting the forming of a bank in this place stands adjourned to Thursday evening, the 16th instant, when it is expected some other matters of importance will be laid before them. A general attendance of the inhabitants is desired." At that meeting a petition asking the General Assembly to grant a charter for a bank was drawn and adopted.

The General Assembly in October, 1792, issued a charter for the first bank of the city, fixing the capital at \$100,000. Because of a shortage of available capital in the city, the charter was amended in October, 1795, reducing the capital to \$50,000 with the privilege of increasing it to \$400,000. Another reason given for the delay in the opening of the bank was the epidemics of scarlet and yellow fever which caused 386 deaths between 1792 and 1795 in the city. This number amounted to nearly ten per cent of the population. On December 9, 1795, stock subscriptions taken amounted to 400 at \$200 a share, starting the bank off with a capital of \$80,000. The first meeting of the 83 stockholders was held on December 22nd when nine directors were elected. They, in turn, elected David Austin as president, and William Lyon as cashier at a salary of \$500. Banking rooms were leased in the cashier's home on Chapel Street halfway between State and Orange Streets on the north side, and banking hours were from 10:00 A. M. to 1:00 P. M. and 3:00 to 4:00 P. M., except Sundays, Thanksgiving, Christmas, Good Friday, July 4th, fast days, Saturday afternoon, and Commencement Day at Yale University. Sixty thousand dollars in one, two, five, ten, twenty, thirty, fifty, and one-hundred dollar bills were printed by Amos Doolittle. It is interesting to note that although bank bills were issued in dollars, Mr. Lyon's house was rented by the bank for twelve pounds per annum. The accounting system of the Connecticut Treasury was changed in 1796 from pounds, shillings, and pence, to dollars and their fractions.<sup>1</sup> The first entries made on the books of the bank were on February 22, 1796. That business actually was conducted before that date is shown by the entry, "by interest on money lent before the bank opened, \$8.43."

The New Haven Bank was the third bank to open for business in the state; the Hartford Bank being the first, and the Union Bank of

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<sup>1</sup>Clark, George L., *History of Connecticut* (G. P. Putnam & Sons, New York, 1914), p. 322. A pound at that time was worth \$3.34.

New London, the second.<sup>2</sup> The first dividend of 8% was declared on February 24, 1797; \$6.33 a share. Dividends were paid in cash and each stockholder signed a register as a receipt for his dividend. Regular dividends of 4% semi-annually were in effect around 1800 and it was the policy of the bank not to accumulate surplus funds until around 1865. Any losses that occurred were charged against Profit and Loss Capital Account and gradually diminished by applying against profits. To obtain a discount from this bank, "a note expressing the sum wanted, and having an endorser, must be enclosed in a letter addressed to the cashier, by the person requesting the discount, executed in the city of New Haven and drawer and endorser resident in the city, with not more than thirty days to run." On January 30, 1797, it was voted "that if the payer of a note neglect his duty, and a protest be entered, the endorser shall be allowed four days to pay the same in case of his or their neglect, his credit shall suffer in the bank."

Bank tellers of today who are bothered by late customers will be interested to learn that on January 25, 1802, the directors of the New Haven Bank ordered that no person should be allowed to do business with the bank out of banking hours, through the back door, except a director, the collector of the customs, or his deputy.

William Lyon, cashier of the New Haven Bank, constantly watched the circulation of the bank. It is said that he rode to Wallingford to redeem four one-hundred bills that had been out of circulation for what he considered an unreasonable length of time. In 1806, the capital of this bank was increased to \$300,000. On August 7, 1809, the bank purchased from Abraham Bradley the lot on the north-west corner of Chapel and Orange Streets for \$1,900. The lot was 25 feet on Chapel Street and 60 feet on Orange Street and a new brick building was constructed, into which the bank moved November 28, 1809.

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<sup>2</sup>Parsons, Francis, *A History of Banking in Connecticut* (Yale University Press, 1935), pp. 1 and 2.

Bank bills in early banking days were printed on a poor grade, thin paper and were easily counterfeited, and in 1806 a counterfeit gang was found operating in New Haven. Bank bills of banks in other cities created quite a collection problem. Bills of the National Bank and the New York Bank were received by the New Haven Bank in payment of notes in 1800. On September 6, 1810, it was voted "that the sum of foreign bank bills this bank may have in possession at any time is to be considered among the secrets of the bank, and should any person apply to the cashier for information on this subject, it will be sufficient for him to reply, If you have any bills of this bank, we are ready to redeem them either by giving you bills of other banks or specie, as you desire." On December 15, 1817, the New Haven Bank's president received his first pay for services, \$200 for six months' work.

Edward C. Beecher, in 1906, wrote the following story about Bill Bishop, a town character of the early 1800's, in his *Three-quarters of a Century in New Haven*: "Under the administration of the late Hervey Sanford, one day the New Haven Bank was burning up its mutilated bills in a cylinder stove in the directors' room. The committee which had this matter in charge threw a bunch of bills into the stove. A draft of wind took some of them out of the chimney top, of which Banker Sanford was duly notified. Of course the news spread abroad. The next morning Bill Bishop, a noted wag, appeared at the bank, desiring to see the president, who promptly responded and inquired the nature of his business. To which inquiry, Bill waggishly remarked that he understood that the bank was burning up its mutilated bills. 'Yes,' said the president, 'and what of it?' 'Oh, I wouldn't do that, Mr. Sanford,' Bill answered, 'I'll give you fifty cents on the dollar for them!' This was still more of a joke because Bill couldn't raise fifty cents in the world."

The effect of the War of 1812 caused a shortage of currency and coins throughout the country. Here in Connecticut, the laws pro-



hibited banks from issuing currency in denominations of less than one dollar. As the emergency arose several business houses in Connecticut found it necessary to issue fractional currency of their own. By October, 1815, the Legislature found it necessary to grant permission to banks to issue fractional currency.

The New Haven Bank's old records do not give the first date of issuance, but by piecing together information on their books, we find that they did issue, 5, 6¼, 10, 12½, 15, 20, 25 and 50 cent fractional currency. When peace was declared, the state then set the date of June 1, 1816, to be the last date of issuance of this substitution for coins. In the minutes of the director's meeting of October 22, 1816, the directors of this bank voted to burn small change notes from 6¼ to 50 cents, totaling \$3,949.50 and again on February 27, 1817, to burn notes from 5 to 30 cents, totaling \$2,061.37. Apparently this bank did too thorough a job of burning this fractional currency, for your writer has tried in vain to find some. Many foreign coins were still in use in this country at that time. Six and one-quarter cents was a quarter of a shilling, English money.

## BANK OF THE STATE OF CONNECTICUT

**I**N THE OLD RECORDS at the State Library in Hartford, we find that James Hillhouse, one of Connecticut's outstanding citizens, along with a group of other prominent men tried twice to incorporate a Bank of the State of Connecticut, to be located at both New Haven and Hartford. The bank was to have a capital of \$800,000 subscribed to by the people and \$200,000 provided by the state. Its primary purpose was to issue currency and to loan money to the people of the state. Undoubtedly a state currency at that time would have been a stable currency. There was a great deal of merit in this plan for it would seem that this type of currency would have had the same stability as the national bank currency of 1863. The petition passed the Lower House of Connecticut Legislature

both on October 10, 1805, and May 14, 1806, but in the Upper House, "The prayers of the within petition is negative" and the charter was refused.

### EAGLE BANK

THE SECOND BANK to organize in the city was the Eagle Bank of New Haven which opened its doors in October, 1811. This bank had previously entered a petition for a charter in May, 1811, and had been voted down by the Upper House. The petition stated that the merchants of New Haven were inconvenienced by lack of banking facilities and praying for incorporation for the purpose of establishing a new bank. The second petition for a charter was granted on October 3, 1811. The bank occupied the building on Chapel Street on the west side of the New Haven Bank, where it remained during its entire existence. Stories about this bank leave little doubt that it was poorly managed, with the exception of Atwater's history which states, "no bank was ever more firmly established in the public's confidence." An interesting incident occurred between the Eagle Bank and the Derby Bank of Derby, Connecticut. Sometime after both banks were in operation, the Eagle Bank, being jealous of its competitor, at one time started a run on the Derby Bank on a Saturday morning by presenting a large number of Derby Bank bills, \$10,000 worth, for payment at the Derby Bank. The Derby Bank stalled around so well that at 12 o'clock Saturday noon, the bank had not finished the transaction and closed its doors to the Eagle Bank until Monday morning. In the meantime, the president of the Derby Bank, who lived in New Haven, collected \$30,000 worth of Eagle Bank bills, which in those days was a fortune. He then presented these bills to the Eagle Bank for payment when it opened for business Monday morning.

Two years later the Derby Bank failed, but opened again in 1824, and again closed in 1825. The charter was revoked May,

1826. Although this is not New Haven history, The New Haven Colony Historical Society *History* reads on page 176, "During the first years of the company's existence (The Derby Bank), the directors voted the president a salary of \$1,500 a year. The last year their vote made it six and one-quarter cents." Also in *Six Numbers on Banking*, a Mr. Daggett is accused of operating in New Haven for the Derby Bank, paying 50% of the face value for torn or mutilated currency, that is 12 cents for a 25-cent bill; \$2.50 for a \$5.00 bill. This bank also was accused of making loans to New Haveners which was against the law.

According to the *American*, a New York newspaper, Volume 1, #92, January 15, 1820, the bills of the New Haven Bank and the Eagle Bank of New Haven were accepted at par in New York City if these bills were drawn on New York banks. New Haven Bank's paying agent in New York was the City Bank, and some of the Eagle Bank's bills were made payable at The Union Bank of New York.

An article written by "Bystander" in *Six Numbers on Banking* relates: "There is a rumor that the Eagle Bank has purchased some of its stock at 90% or a profit of 10%,—thus reducing its capital and tricking those of its stockholders who sell for the benefit of the knowing ones, who authorize the purchase." Along the same lines, Richard J. Purchell wrote that "directors frequently borrowed from their own banks to extent of from \$15,000 to \$50,000 and that the Eagle Bank had forced its stock down to \$90 in order to buy in.<sup>3</sup>

On June 5, 1909, the following article appeared in *The Saturday Chronicle* published in New Haven: "In the *Columbian Register* of September 24, 1825, is this guarded note: "The first article of news that our readers will probably look for will be concerning the Eagle Bank. We have, in short, to say that the bank has suspended specie

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<sup>3</sup>Parcell, Richard J., *Connecticut in Transition* (Oxford University Press, London, 1918).

payment; the bills of the bank, however, we understand, have thus far been taken in payment of notes due the bank, as they become payable from individuals. We pretend not to say, or even guess, how the concerns of the institution will come out eventually. Rumors, of which we have plenty, are hardly worth repeating, and we wait to be in possession of facts that can be relied on, before we hazard an opinion of our own.' On November 12, 1825, the vaults of the bank were attached with unsatisfactory results, as there was absolutely nothing in them. About this time many of the merchants advertised that they would take Eagle Bank bills in exchange for goods; first, at par, then on a downward scale, and last 'at a fair valuation'—which meant, almost nothing. On Saturday, June 26th, the stockholders met and passed this vote: 'That the President and Directors now in office be removed.' On September 27th one of the many lottery advertisements in the *Columbian Register* quoted, 'Eagle bills taken at a discount.' On November 1st this paper contained an appraisal of the bank showing total assets \$2,139,324, among which \$1,652,000 were listed as doubtful. The article states that the bills were selling 'yesterday at 50 to 55 cents on a dollar.' The following week, ran the statement, 'Eagle bills are falling rapidly, now selling at 30 to 40 cents on a dollar.'"

Many of the gentlemen who had subscribed for shares in The Tontine Hotel (then in process of building) lost heavily in this bank failure, and there were many urgent appeals through the papers of the day for them to pay up in installments of \$25 and \$35. The shares as subscribed for were worth \$100, but in those days a hundred dollars was hard to raise, especially for subscribers who had been "hard hit" by this failure, "which was due largely to three Napoleons of finance, who are said to have feathered their own nests, but who were punished quite speedily for their mistakes in judgment." The Tontine Hotel was one of the largest lotteries of the day. The high granite basement of this building, which was to have been erected on the corner of Church and Chapel Streets



(where the Exchange building now stands) remained there for years, but there was no need of such a memorial of this defunct institution to keep it in the memory of New Haveners, past, present, and future.

After 14 years of service the Eagle Bank failed on September 19, 1825, giving New Haven its first real financial panic. George Hoadley, president, had appointed his own directors and then proceeded to loan money as he pleased. He had loaned over \$500,000 to a Mr. Dexter<sup>4</sup> who could hardly be counted good for \$1,000. Investigation showed that the bank had loaned enough money on poor security to consume its entire capital, deposits and circulation, totaling \$1,500,000, and had sold its circulating currency at less than face value in other parts of the country which caused quite a bit of trouble when it came back to the bank to be redeemed.<sup>5</sup> Creditors realized only a small percentage of their claims.

The Bank Commissioner's Report of 1842 has the following comment on the Eagle Bank: "The second ill-conducted and unfortunate institution was that of the Eagle Bank of New Haven, whose operations and results are still too keenly felt and understood by our citizens to need recapitulation, and for whose financial officers we have no apologies to offer. Its connection with an institution for savings, perhaps tended to lead its officers from the path of their legitimate business; and its heavy loans to a few individuals engaged in mercantile and manufacturing operations was the well known cause of its destruction."

It was probably not unusual for banks to sell their circulating currency at less than face value in other parts of the country. Lanier's *Century of Banking* states that this was common practice in "saddle-bag" banks, whose notes were carried around the country on horseback. He mentions a broker of Rhode Island who worked

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<sup>4</sup>The writer has in his collection a \$5.00 Eagle Bank bill made payable to "N. Dexter," as well as many other bills on this bank.

<sup>5</sup>Woolsey, T. S., *The Old New Haven Bank* (Quinnipiac Press, Inc., 1913), p. 19, "Eagle Bank bills had sunk to 30-40 cents on the dollar."

off \$200,000 worth of bills of a speculation bank, mostly one-dollar bills, in a single year.<sup>6</sup> Mr. Lanier tells in his book, also, of a Mr. Dexter, a Boston operator, who gained control of a Rhode Island bank by paying stockholders out of the bank's funds. He would borrow money from the bank at two per cent, "it being understood, however, that said Dexter shall not be called upon to make payment until he thinks proper, he being the principal stockholder."<sup>7</sup>

This local panic of 1825 had a really serious effect on capital and credit. The failure of The Farmington Canal to build according to agreement helped to undermine the finances of the city. One of the Eagle Bank's directors had borrowed half-a-million dollars to erect a block of houses in Church Street. They were partially completed when the crash came, and the contractor was forced to stop work. These buildings were later sold for \$13,900, showing the tremendous loss that the real estate market took. The architects for the Eagle Bank had drawn up the plans for a beautiful six-pillar bank building to be built on the corner of Church and Chapel Streets, just before the crash. The New Haven Bank's loss, due to the failure of the Eagle Bank, was \$13,586, which was made up by August, 1827. In 1825, the New Haven Bank's deposits went from a high of \$114,000 to a low of \$50,000.

### THE NATIONAL BANK

ACCORDING to a pamphlet printed in New Haven in 1816, a meeting was held on November 8, 1816, which drew up the following resolutions-in-brief—1st—Resolved that, in the opinion of the citizens now assembled, it is expedient that an office of discount and deposit of the Bank of the United States be established in this city; 2nd—Resolved that a committee take such measures as they may deem

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<sup>6</sup>Lanier, Henry W., *A Century of Banking in New York* (The Farmers Loan & Trust Co., New York, 1922).

<sup>7</sup>Your writer wonders if this Boston Dexter got his start from the Eagle Bank of New Haven.

expedient to procure an office of discount and deposit of the National Bank at New Haven, and that the committee proceed to Philadelphia on the subject above specified; 3rd—Resolved that there be a committee to prepare a representation to the President and Directors of the National Bank soliciting that an office of discount and deposit be established in this city and to procure the subscriptions of the merchants and other citizens of this city.

Many meetings were held and all kinds of documents were drawn up showing reasons why New Haven should be granted the bank in Connecticut. The Eagle Bank subscribed to \$110,000 of its stock. The New Haven Bank, although in favor of the bank, appeared to be more conservative than the Eagle, believing that New Haven capital should be used for loans to local people rather than for stock in another bank, even though there was talk of earnings up to 20% in the new venture. Mr. John H. Jacocks, whose pen name was "Corrector" in *Six Numbers on Banking and Shaving Operations* writes:—"and really, as to the slow, timid, formal, grinding, patriotic New Haven Bank, its glory is eclipsed; (by the Eagle and Derby Banks); it goes on in the old jog of its early fame, loaning its money in the fashion of its ancients. It occasionally sends money to the New York market when business is rather heavy. It still looks wishfully at the four-pence, half-penny and gives to the cent, an easy inclination in its favor; it brags less of its liberality and it is more steadily pinching and penurious than its patriotic neighbors with their large investments of stock for the sake of patriotism."

The directors of the National Bank seemed to favor Middletown rather than New Haven because it was more centrally located. At this time, the New Haven Bank was the depository for public monies arising from customs in the New Haven District. Although New Haven subscribed more money to the bank, it never opened here.

The Eagle Bank was criticized by local papers for its venture to the tune of \$110,000. The "Corrector" writes: "A pretty sum—

which would cancel a great many debts if loaned to farmers; would prevent many an honest man's property from sacrifice; would keep many an industrious husbandman's person from the gaol limits. No other bank but the Eagle Bank of our city chose to disregard the sufferings of the people by forcing from them its funds, and using them in this patriotic adventure."

From the time Middletown had secured the prize in 1816, Hartford and New Haven had been after it, and once the Phoenix Bank of Hartford had made an offer for its business when, in 1820, it was reported this branch was to leave the state altogether. A New Haven paper, *The Register*, tried to soften the blow to New Haven's pride by declaring that the city was glad not get the "picture-shop"—which was a waggish allusion to the variety of engraving on the home-printed bills of the day, particularly the bills of the United States Bank.<sup>8</sup>

### THE SAVINGS BANK OF NEW HAVEN

THE FIRST MUTUAL SAVINGS BANK in New Haven and the second to open in the state of Connecticut was The Savings Bank of New Haven. The act to incorporate was granted by the Connecticut Legislature on May 5, 1820. The first managers meeting was held at Buck's Hotel on July 19, 1820. At the second meeting on August 24, 1820, the managers voted, "Whereas the board have applied to the directors of the Eagle Bank of New Haven requesting said bank to receive all deposits which may be made in The Savings Bank of New Haven and to manage the same according to the by-laws of this institution." The bank opened for business in September, 1820. George Hoadley, president of the Eagle Bank, was elected president of The Savings Bank, and Lewis Hotchkiss, treasurer. Deposits of \$1.00 or more would be received, but not more than \$500 a year from any one individual. Interest was paid at the rate of 5% per year.

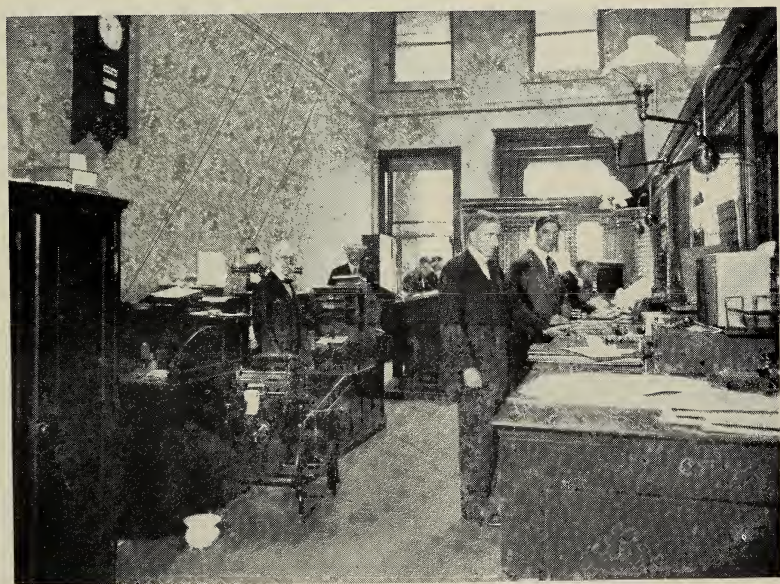
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<sup>8</sup>*Phoenix National Bank*, 1914, Hartford, Connecticut, p. 46.

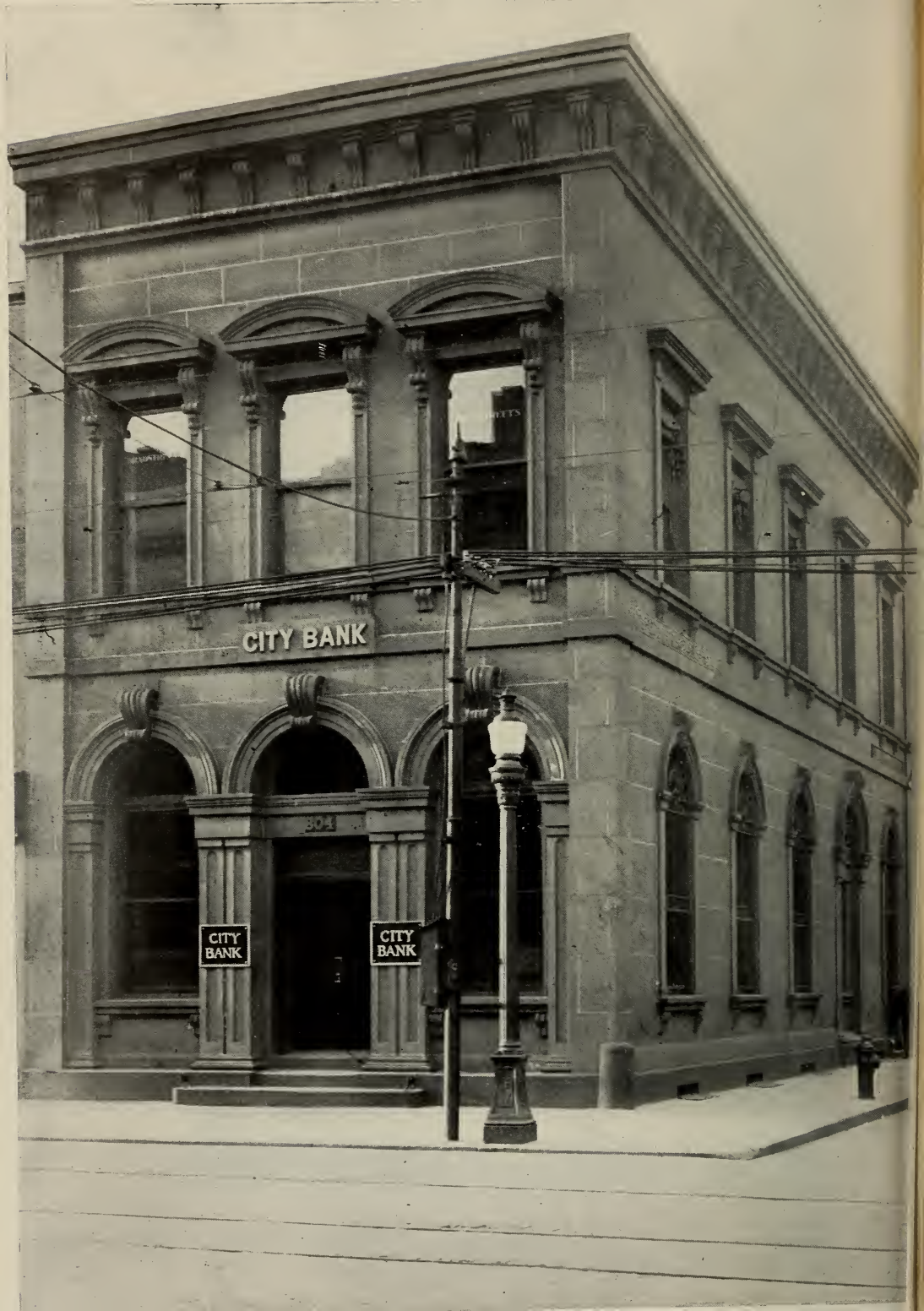




NEW HAVEN BANK



NEW HAVEN COUNTY NATIONAL BANK



CITY BANK

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CITY  
BANK

CITY  
BANK



The minutes of the first annual meeting read, "The state of the bank was found to be flourishing far beyond the original anticipations of its founders,—255 persons in 10 months have made 401 deposits in the amount of \$23,199."

The collapse of the Eagle Bank, which consequently caused a local depression and tremendous loss in the local real estate market, was the direct cause of the closing of The Savings Bank of New Haven in 1825. At the managers meeting on November 1, 1825, it was voted: "that the arrangement with the Eagle Bank be cancelled and that Nathaniel Bacon assume the office of treasurer to take care and manage the monies and other properties of the bank." Evidently the managers and officers of The Savings Bank had invested their funds wisely for the bank eventually paid \$1.11 back for every dollar on deposit at the time of closing. The books reveal that they paid twenty cents April 16, 1826; forty cents on September 8, 1826; twenty cents on January 1, 1829; twenty-eight cents on January 2, 1832; and three cents on August 1, 1832. The charter of the New Haven Savings Bank states that "The Savings Bank of New Haven ultimately paid to the depositors nearly the full amount of the principal and interest of their deposits." Perhaps the eleven cents paid to depositors over and above the full principal amount did not meet the 5% interest rate the bank had been paying.

As there are only two pass-books remaining to the writer's knowledge, it seems wise to print here the regulations of that bank.

#### BY-LAWS

ARTICLE I. The Savings Bank of New Haven shall be open twice a month, on the first and third Mondays thereof, from ten o'clock till noon.

ARTICLE II. Deposits of one dollar or any larger sum shall be received. The lowest sum which shall be put on interest shall be five dollars; and no fractional part of a dollar shall be received or be entitled to interest.

ARTICLE III. On the first days of January and of July in each year, there shall be declared a dividend of two and a

half per cent, or five per cent per annum on all sums of five dollars and upwards, which shall have been deposited for the space of six months next preceding, and a proportional rate of interest on sums which shall have been deposited for a less period, allowing no interest for the fractions of a month.

ARTICLE IV. No interest shall be paid on any sums withdrawn, for the time which may have elapsed since the last dividend.

ARTICLE V. Dividends not called for within three months, shall be added to the principal, and bear interest from the declaration of said dividends.

ARTICLE VI. Whenever any person shall receive his principal or interest, he shall produce the original book or voucher given him, that the payments may be entered therein.

ARTICLE VII. The annual meeting of the corporation shall be on the last Thursday of June in each year, at such hour and place as the managers may appoint,—Notice thereof shall be given by the Secretary, in two of the newspapers printed in New Haven. Special meetings of the Corporation may be called by the President, Vice-President, or any two managers giving at least two weeks notice thereof, in two newspapers printed in New Haven.

ARTICLE VIII. The managers shall meet once a quarter, after the close of the Bank, to transact such business as may be necessary.

ARTICLE IX. The managers may, at any time, make such other regulations, or alterations in those previously made, as may be deemed necessary, provided they be not contrary to the Act of Incorporation.

N.B. The Act of Incorporation, passed in May, 1820, among other things, provides—

1st. That no person shall deposit more than five hundred dollars in any one year.

2nd. That the deposits of the Bank may be loaned, or invested in bank stock, or other public stock, of any state



or of the United States; and the net income or profits thereof, shall be divided among the depositors.

3d. That the principal may be withdrawn by each depositor, on leaving four months written notice with the Secretary.

4th. That no member of the corporation shall be the hirer or borrower, or the surety for any hirer or borrower, of the funds of the Corporation; and no President, Vice-President, or Manager, shall have any compensation for his services. Every officer of the institution is under oath for the faithful discharge of his trust.

5th. That the President and Managers shall make an Annual Report to the General Assembly, of the deposits and dividend.

The Managers of the Saving Bank have made an arrangement with the Directors of the Eagle Bank to receive their deposits and pay their dividends.

Those depositors who do not take their dividends, will get compound interest, which they cannot do in any other way by law.

It is believed that there is no better mode of placing money, than that which is here submitted to the public.

JOHN C. GRAY, PRINTER

This bank's charter was nullified in 1828.

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The collapse of the Eagle Bank, the first bank failure in the state, was the direct cause of Connecticut State Legislature's passing a law in 1829 for a prison term of one to fourteen years for any officer of a bank, who, with intent to defraud, should appropriate to himself any company funds or make a false entry on company records. This and the Derby Bank failures were the reasons that the legislature rejected eight petitions for new bank charters in the state. The first general law of Connecticut relative to banks was passed in 1802 prohibiting them from issuing bills of less than one dollar.

The first government supervision of banks was inaugurated 1821 requiring banks holding public deposits to file a report with the comptroller. A year later, this applied to all incorporated banks.

Edward Beecher, in an article on New Haven, tells of a Mr. Mott who purchased a house from one Joe Barker for \$2,800, which was paid for in Spanish milled dollars, fo' pence, ha' pence and copper cents with only one hundred dollars in bank bills. Evidently Mr. Mott had little use for banks, and Mr. Barker carried his money home in a wheelbarrow. This incident occurred in the early 1800's.<sup>9</sup>

An illustration of confidence of people around this same time is shown by the following story. A business man of New Haven went to New York with a bundle of bank notes to be delivered to a Wall Street bank. When he was within a few blocks of his destination, he inquired his way of a stranger whom he met. The stranger replied that he was the cashier of that particular bank, and the New Havener immediately turned the package over to the stranger and went on his way. Fortunately, he was the cashier and the money was delivered.<sup>10</sup>

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<sup>9</sup>Although this is an isolated case, it tends to show how little human nature changes, in certain classes of people, from one century to another.

<sup>10</sup>Atwater, *History of the City of New Haven*, p. 327.

## CHAPTER II

# THE GROWTH OF NEW HAVEN AND ITS BANKS

1825 - 1850

FOUR NEW BANKS started operations in New Haven during this period; the Mechanics Bank, the City Bank, the New Haven County Bank, and the New Haven Savings Bank. The city was growing rapidly and many new industries came to New Haven, including cotton, woolen, glass, rope, paper and leather factories, as well as iron works. These industries needed financing, and long term as well as short term loans were necessary. Bank stocks were attractive investments for the public and there was an abundance of capital available soon after the local depression of 1825 had ended. In 1829 there were 329 banks operating throughout the country and by 1850 this number increased to 824. With the closing of the Eagle Bank and The Savings Bank of New Haven, the city was left with only one bank, the New Haven, for a short period of time until the Mechanics Bank organized. There was a definite need for a savings bank and small depositors welcomed the opening of a mutual savings bank in 1838.

## MECHANICS BANK

THE MECHANICS BANK's charter was accepted by the General Assembly at the May session, 1824. This bank evidently was incorporated to finance the Farmington Canal, which was to be the first Connecticut waterway extending from New Haven to Farm-

ington, Connecticut. The Canal Company incorporated on the first Wednesday in May, 1822, and was to expend \$407,000. Subscriptions of \$150,000 had been received but the balance was not forthcoming. A group of prominent local citizens, interested in this project, saw an opportunity of obtaining a bank charter from the General Assembly by incorporating in the act, a provision to purchase \$100,000 of stock in the Canal Company and another \$100,000 if and when it became necessary. For this consideration the bank charter was to be perpetual and free from subjection to future legislation. The stock was also to be free forever from taxation, as well as forever free from contributions to any charitable, state, society, or academical organizations, which was the duty paid by the new banks of that era. Also for this consideration, the bank's charter provided for the issuance of its currency up to fifty per cent in excess of its banking and canal capital and its deposits.

The capital of the bank was \$500,000, comprised of 5,000 shares of \$100 each. Subscriptions for stock, according to the charter, were to open on the fourth Monday in June, 1824. Actually, the Commissioner of the Bank opened the books at Morse's Hotel on April 6, 1825, when installments of \$10 a share were accepted, payable in coin or current bank notes of the United States Bank or any of the banks in the city, or state of New York. On the opening day for subscriptions the map of the Canal route from New Haven to Northampton was put on exhibition. The first directors' meeting was held on April 9, 1825. The bank opened for business early in October, 1825, at 15 State Street between George and Crown Streets. In 1848 a new building was erected about one hundred feet south of the old building. James Hillhouse, who had tried to incorporate the Bank of the State of Connecticut, was the first president, and John G. Barnard the first cashier. The first dividend, 3%, was paid July 1, 1826. On July 29, 1839, the bank appointed Henry White as its agent to sell its holdings in The New Haven and Northampton Company (The Farmington Canal). Sale of the stock at seventy-

five cents a share wiped out nearly all of the \$200,000 which the bank had invested. From then on, the capital of this bank remained at \$300,000 and stock at \$60 a share. The bank was criticized by the Bank Commissioner in 1841 for paying a dividend the year of its capital loss. Although the loss of capital must have been a catastrophe to the stockholders at the time, actually the bank in its 107 years of existence must have saved much more than this in state taxes.

The Mechanics Bank became a depository for government funds in 1835 and the institution became a "Pet Bank" as they were called in those days. The Commissioner commented in 1841, "This bank, with the exception of a single deviation from prudence in one item, appears to manage its affairs with great uprightness and discretion; according to law; nothing is done in the way of buying notes, and very little received for exchange." This single deviation evidently referred to the bank's experiencing a bit of embarrassment in the early '40s when they refused to pay their share of the Commissioner's expenses. In the *Special Laws of Connecticut*, Volume 3, page 109, 1842, is written that unless the Mechanics Bank pay its proportionate share of the salary and expenses of the Bank Commissioner on or before July, 1842, the act to incorporate the bank will be repealed and two receivers shall be appointed by the Governor of the State of Connecticut. No other comment on this incident is available, and the bank continued in business, so evidently this debt was settled satisfactorily.

On April 9, 1837, the directors of the Mechanics Bank voted to send the cashier of the bank to represent them at the bank convention to be held in New York City on the next day. The writer wonders whether this convention centered around an educational program for bankers as do the twentieth century conventions.



## CITY BANK

THE CITY BANK incorporated on May 28, 1831, with its capital set at \$500,000. Subscriptions opened for its capital funds on the first Monday of August, 1831; the last installment being called on July 30, 1833. The charter required the whole amount to be paid by January 1, 1834. There were 5,000 shares at \$100 each; 2,470 shares were subscribed to by persons within the state and 2,530 shares by persons residing out of the state. This item is interesting because it shows the confidence persons residing outside of the state lines had in the New Haven banking picture as a whole. The bank organized on December 1, 1831, and commenced its regular business on June 25, 1832. In consideration of the capital stock being exempt from taxation, the bank had to subscribe to \$100,000 worth of capital stock in the Hampshire and Hampden Canal Company. This amount was paid on January 6, 1835, and the bank charter provided that as soon as The Canal Company earnings were sufficient to pay a 6% dividend, the bank would no longer be free from taxation. This canal capital turned out to be a complete loss and it took the bank's earnings for the next three years to replenish the capital, during which time no dividends were paid. This canal company, previously known as the Farmington Canal Company, had already absorbed \$200,000 from the Mechanics Bank as well as \$1,200,000 of private capital. (The New Haven Bank's loss in this venture was \$40,000.)

The bank also gave to the Connecticut Literary Institute of Suffield, \$5,000, and the Connecticut Historical Society, \$1,000. On the bank's first accounting sheet we find that they spent \$750 for 30,000 sheets of bank note paper and \$1,000 for bank note plates, while the president's desk cost only \$9.00 and the vault, an iron chest, \$25.00. According to Atwater's *History of New Haven*, Samuel St. John was elected to be the bank's first president but he resigned before the bank opened for business. Charles Atwater was

then elected on April 24, 1832, to be the bank's first operating president. Nathaniel A. Bacon was chosen to be the first cashier and was succeeded by Stephen D. Pardee on October 6, 1836, at a salary of \$1,000 a year. Included in the act to incorporate was the following: "Bank shares may be paid for in gold and silver or in bank notes of any bank in Connecticut, or of the Bank of the United States or any of the New York banks, provided they shall be at par value in the state."

Following a complaint, the General Assembly appointed a committee to examine the City Bank of New Haven in 1836, which was not welcomed with open arms by the bank. The report showed that the bank had been loaning money to persons outside of New Haven at a rate exceeding 6% under the name of exchange, with the result that earnings were nearly twice what they should have been. This committee added that "the resources and ability of the bank have never been questioned." This special report, published by order of the General Assembly in 1837, stated that Mr. Charles Atwater, the bank's president, early commenced bringing up from New York at regular intervals, large parcels of notes for discount and these with a few or no exceptions had been discounted by the bank. Whatever may have been the state of the money market, the business of New Haven and its vicinity was treated as of secondary importance. Good demand notes in New York yielded rates from 12 to 24% discount per annum. "From that time on, the bank has not generally been considered as a New Haven institution." The Bank Commissioner's comment was, "This bank appears to make large loans abroad, not having sufficient calls for its funds at home,—so stated its officers." The result of the findings of the committee led to the legislature's voting to repeal the bank charter, but the governor vetoed the bill. The bank originally operated at 8 Exchange Place on Chapel Street according to the first city directory. Exchange Place was the term used to describe the Exchange building which was at the northeast corner of Church and Chapel Streets. In 1849

the bank purchased the lot on the southeast corner of Chapel and Orange Streets for \$14,000; twenty feet of this land was sold for \$6,000 and two years later the bank's building was erected, into which it moved April 4, 1851. This bank operated a savings department along with its commercial banking business.

### NEW HAVEN COUNTY BANK

THE NEW HAVEN COUNTY BANK incorporated in 1834 and the first directors' meeting was held August 12, 1834. The first loan application was acted on at the directors' meeting on February 2, 1835. The bank began with a capital of \$500,000, consisting of 20,000 shares at \$25 each, "so that poor men as well as the rich might be stockholders." The charter provided for a contribution of \$2,000 to the Treasurer of The General Hospital Society in 1835 and an additional \$1,000 a year for three years, as well as \$5,000 to the Hampshire and Hampden Canal Company. The bank first operated at 141 Chapel Street on the corner of State Street and purchased the land of Joel Atwater at 317 State Street just around the corner from Chapel Street on November 18, 1840, for the purpose of erecting a bank building. William H. Elliott was the bank's first president.

In the directors' minutes are found sound loaning policies, for they believed every loan should have a fixed payment date and loans should not be renewed. They tried never to make a three months' loan where there was no possibility of payment when the note became due, but rather to fix the due date at a time when the borrower had the money to pay. The panic of 1837 necessarily made this loaning policy impractical and many notes had to be extended against the will of the directors; but certainly these policies must be commended. Later this institution loaned considerable money to the local railroad companies and these loans helped greatly in the progress of transportation in Connecticut.



The May, 1851, Bank Commissioner's Report has this article which shows a type of loaning that existed during the period of state bank currency: "To give a larger circulation to the bills of the New Haven County Bank, they loan to banking institutions out of the state, their bills at 4% per annum, with the engagement on the part of the borrower, to provide for the redemption of the same, should they be returned to the counter of the bank. If these loans are predicated upon unquestionable security, perhaps no complaint need be made, provided the bank supplies the demand of its own citizens. It should not be disguised, however, that the other banks of the city of New Haven complain that more good paper is frequently offered to them than they can discount without undue expansion. Much legislation has been attempted to prevent extraordinary discounts and issues by our banks, to keep them within their proper limits so that the stockholders might not suffer, and the billholders be protected." Evidently the New Haven County Bank bills circulated at par in many of the surrounding states, and bankers and the public in those states had confidence in the local institution. These bills were payable at par at The Suffolk Bank of Boston (which will be discussed later in this book). There is every reason to believe that this form of lending was profitable to the New Haven County Bank.

#### CONNECTICUT SAVINGS FUND COMPANY

**A**N ACT to incorporate a savings bank in New Haven was presented to the Legislature and passed at the May session in 1833. This bank was to be called The Connecticut Savings Fund Company and was granted permission to accept deposits, make insurance on lives, grant and purchase annuities, receive monies and properties in trust, and accept and execute all trusts. The capital was to be \$500,000 with shares at \$100. This is all the information that the writer has been able to obtain, and apparently the company did not open for business in New Haven.

<sup>1</sup>The May, 1835, session of the Connecticut General Assembly passed an act prohibiting banks from issuing notes of one and two dollar denominations. This led to increasing the circulation in Connecticut of bills of small denominations of the banks in Massachusetts and Rhode Island, which had no laws to this effect. This act was amended to read "not less than five dollars" after July 1, 1838. Both of these acts were later repealed. *Day's Bank Note Table* of June 15, 1830, has the following comment: "Take care of the notes of the Eagle Bank of New Haven with the word Eagle extracted and made to read 'The Bank of New Haven'." Banks in Connecticut in 1835 were forbidden to retain as surplus earnings a sum greater than 5% of their paid in capital stock. In 1836, bank cashiers were required to make an annual report on uniform blanks supplied by the state comptroller. Branch banking was prohibited in Connecticut in 1837.

Then along came the panic of 1837, a nationwide affair. President Van Buren's reason was "Over-action in all departments of business."<sup>1</sup> In the preceding years there were wild speculations in western lands, over-trading and unwarranted, unproductive improvements (like the Farmington Canal of Connecticut). Business failures were many, and there was a general collapse in prices, such as cotton from 17 cents to 10 cents a pound, slaves from \$1,200 to \$300.<sup>2</sup> New York banks suspended specie payment on May 10, 1837, and on the following day most large cities, including New Haven, did the same. The exception was the City Bank of New Haven whose circulation was small. This lasted for about six months. The New Haven banks resumed specie payment on January 15, 1838. Atwater's history states that other cities did not restore specie payments until May 10, 1838, and that hard times lasted for ten years.

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<sup>1</sup>Schultz, W. J. and Caine, M. R., *Financial Development in the United States* (Prentice-Hall, Inc., New York, 1937).

<sup>2</sup>Woolsey, Theodore S., *The Old New Haven Bank* (Tuttle, Morehouse & Taylor, New Haven, 1923), p. 21.

We note here that the law of 1834 and 1837 reduced the gold content of the dollar when it was found that other countries were melting down our coins. At different intervals between 1820 and 1860, especially in the year of 1837, many merchants finding a scarcity of pennies, minted, for their own convenience, coins usually the size of the large pennies of that day. These coins circulated freely. Locally four New Haven merchants and two Fair Haven merchants had coins minted, some of which are now in the hands of coin collectors.

*Banking Studies*, published by the Federal Reserve Bank, states that from 1834 to 1854 state bank notes in circulation exceeded deposits of banks, but that by 1855 deposits took the lead. Schultz and Caines' *Financial Development* states that checking accounts were not uncommon in 1811, but that they were based on cash deposits. When credit was extended, a bank usually did not credit an account for its client, but paid out its own notes instead. Banks were interested mostly in issuing currency.

## NEW HAVEN SAVINGS BANK

THE SECOND MUTUAL SAVINGS BANK in the city and the sixth in the state to open was the New Haven Savings Bank. The original application for a charter was dated April 16, 1838, and was approved by the Legislature on May 18, 1838. The bank opened for business on July 27th of the same year, when two deposits were accepted, one of \$5.00 and another of \$100.00 from the Cashier of the New Haven Bank. The first loan was made August 10th, for \$1,000 and it was necessary for the treasurer to advance \$275 of his own money to add to the \$725 the bank had available. Within four days this advance was paid back to the treasurer along with 18 cents interest. The first mortgage loan was made on November 15th.

The Savings Bank's first quarters were in a room in the rear of the New Haven Bank building. The New Haven Bank voted at a meet-

ing of the board held on July 15, 1839, that the rent of the room occupied by the Savings Bank would be remitted for one year, and that the rent for the second year would be \$75. In reply to this friendly gesture, the Savings Bank's board voted "that the thanks of the corporation of the New Haven Savings Bank be presented to the directors of the New Haven Bank for their generous release of the rent of the banking house room occupied by the New Haven Savings Bank for the past year." This friendly coöperative spirit has prevailed between these two banks throughout the many years of their existence. The directors of the Savings Bank for many years held their meetings in the New Haven Bank directors' room.

The banking hours of this bank were from 11:00 to 1:00 o'clock each business day except Saturday when they were from 2:00 until 6:00 o'clock. The first dividend amounted to \$81.29, and after all expenses were paid, the treasurer received \$120.51 for his services for the year. By 1840 the Savings Bank had 600 "industrious and frugal" depositors to whom it paid 2½% interest semi-annually. The city that year had a population of about 14,000 and the total capital of its manufacturing industries totaled \$921,000.

The Bank Commissioner reported in May, 1843, that this savings bank "is well conducted and promises to be one of the best institutions in the state. It has already received deposits to an amount greater than the capital of many of the banks of discount, every dollar of which I believe to be safely invested." The total number of depositors by 1843 had risen to 1,250, being more than doubled in three years. Deposits averaged about \$100 each, and the money loaned on mortgage security totaled \$80,000, while that invested in stocks and notes totaled \$30,000. The Commissioner noted that, "No loss has ever been sustained."

The directors of the Savings Bank voted on July 31, 1844, "That no individual shall be allowed to have a greater sum on deposit at one time of more than \$1,000, exclusive of interest;" and again, the following year, "Deposits may be received of \$1 or any sum not



exceeding \$200 from an individual in any one year,—and not to exceed the sum of \$500 in the aggregate, exclusive of the interest which may have accrued, except at the discretion of the loaning committee.” Mutual savings banks from the beginning were created to be of service to the working man and disapproved of the idea of the rich of leaving their money there for investment purposes.

After nine years, the bank moved in 1847 to its new building at 99 Orange Street. The lot was purchased at \$80 a foot and the total cost of the building and lot was \$6,800. This bank paid 6% dividends on deposits in the 1850s and by 1870, it was earning and paying 7% on deposits.

In 1845, the Bank Commissioner’s Report stated that the New Haven Savings Bank held no stocks or bonds owned by the bank and no real estate; almost all of its money was invested in mortgages.

APPLICATION FOR CHARTER OF INCORPORATION OF THE  
NEW HAVEN SAVINGS BANK

To the Honorable the General Assembly of the State of Connecticut to be holden at New Haven, within and for said State, on the first Wednesday of May, A. D. 1838.

The Petition of the subscribers, Inhabitants of the Town of New Haven, in said State, respectfully sheweth,

That it has been proved by a long course of experience, that *SAVINGS BANKS* are among the most useful institutions which can be established in populous communities;—that several such institutions are now in operation in this State with great success, and to the eminent advantage of the people in their vicinity—that a Savings Bank was established some years since in New Haven, and transacted business for a considerable period, to the satisfaction of all interested;—but as it has loaned its funds to the Eagle Bank, it was obliged, in consequence of the disastrous failure of that institution to suspend its operations, and it is now wholly discontinued, though it ultimately paid to the Depositors nearly the full amount of the principal and interest of their deposits;—that the population of New Haven

and its vicinity who have need of such an institution is large, and though some individuals submit to the numerous and great inconveniences of using the institutions of other towns, yet by far the greater proportion of those who require the facilities of such a Bank spend or place in precarious situations, the money which they would save and deposite if the requisite accommodations for investment were furnished here;—that the want of such an institution has been seriously felt for more than ten years, and has been regularly increasing, and has now reached such a point that in the opinion of the petitioners it ought not any longer to be suffered to continue.

Your petitioners therefore pray this Honorable Assembly to take the case above presented into consideration, and to enquire into the truth of the foregoing facts; and on finding them true, to incorporate a Savings Bank, to be located at the City of New Haven; or to grant other appropriate and adequate relief in the premises;—and the petitioners as in duty bound will ever pray.

Dated at the town of New Haven, this 16th day of April, A. D. 1838.





# **CITY SAVINGS BANK,** SHEFFIELD'S BANK BUILDING UP STAIRS, NEW HAVEN, CT.

Deposits received in the Bank every day, from five cent to one thousand dollars, and *interest* allowed at six per cent from date of deposit. *Interest* account is made up in January and July in each year, and all sums of interest not then called for, will be added to the principal. In this way depositors receive compounded interest on their money every six months, all of which is free from taxes to the depositor as the Bank pays the tax.

No better or safer place can be found for persons to place their money than the City Savings Bank of New Haven; the directors and officers of which are an eminently reliable and prudent business men of the community. Their name are a sufficient guarantee for the safety of any sums entrusted to their care. Deposits in the Bank increased the past year over two hundred thousand dollars, which shows it is a popular institution and has the confidence of the community.

## **Officers and Directors.**

JAMES M. TOWNSEND, *President and Treasurer,*  
NATHAN E. IVES, M.D., *Vice President,*  
FREDERICK A. TOWNSEND, *Secretary.*

## *Directors.*

JONATHAN KNIGHT, M.D.,	GEORGE COOK,
NATHAN E. IVES, M.D.,	DAVID COOK,
LEVI IVES, M.D.,	HUGH GARRATT,
JOHN S. BROWN,	SILVERMAN W. KNEVELS,
GEORGE B. BASTELL,	SIMON M. STONE,
GEORGE K. WHITING,	AMOS TODD,
JAMES DUNSTON,	W. LEE, SECRETARY,
JAMES M. TOWNSEND,	FREDERICK A. TOWNSEND,
	ELIAS R. BISHOP.

**CITY SAVINGS BANK**  
(Later Tradesmens Bank)



STATE BANK BILLS

## CHAPTER III

# JUST BEFORE THE NATIONAL BANKING ACT

1850 - 1863

THE PERIOD PRECEDING the Civil War and the National Banking Act were busy and prosperous years for the city's banks as well as banks in all parts of the nation. The city in 1850 had five banks and six more incorporated during the next thirteen years, all but one of which were to play an important role in the finances of the city. The Suffolk Bank of Boston, which stabilized the currency of its time, also deserves mention. The panic of 1857, although severe, was weathered admirably by the nine local banks then in operation. The six new banks to begin operations were the Merchants, Quinpiack, Elm City, Tradesmen, Connecticut Savings, and City Savings which shortly after became the Townsend Savings Bank.

## MERCHANTS BANK

THE MERCHANTS BANK was chartered in 1851 and commenced business on July 17, 1851. A three dollar bill in the possession of the writer is dated September 13, 1851, signed by S. K. Satterlee, cashier and Nathan Peck, president. The capital of this bank was \$500,000 with shares at \$50 each. The charter provided for payments of \$4,000 for a fence to be erected around the public square (the New

Haven Green), a gift of \$2,000 to the General Hospital Society, \$2,000 to the State Reform School, and \$2,000 to The Young Men's Institute—New Haven's only library at that time, founded in 1826. This bank operated in the Marble Building on the northeast corner of Church and Chapel Streets until 1856 when it moved to 162 State Street opposite Wooster Street, then to State and Chapel Streets on the southeast corner on September 22, 1911. The records of the New Haven Savings Bank record, "that the Merchants Bank be charged \$20 for the use of room in this bank by the commissioners to subscribe to its stock." Nathan Peck was the first president of this bank.

One of the first advertisements of this bank appeared in *The Connecticut Journal and Herald and Weekly Courier* as follows:

New Haven, Saturday, March 27, 1852

Merchants' Bank of New Haven.

The remaining installments of Five Dollars per share, on the Capital Stock of the Merchants' Bank of New Haven, will become due as follows:

5th Installment April 10th

6th Installment July 9th

7th Installment October 7th

8th Installment January 5th, 1853

By order of the Board of Directors, interest at the rate of five per cent, per annum, will be allowed on payments in advance.

S. K. Satterlee, Cashier

### ELM CITY BANK

THE ELM CITY BANK was incorporated in July, 1854, with a charter authorizing a capital of \$500,000 with shares at \$100 each. The Bank Commissioner's Report of 1855 stated: "The Elm City Bank was chartered at the last session of the legislature, and organized.



The stock was subscribed at 10% of the capital paid in; the second and third installments were called for according to the provisions of the charter, but owing to the stringency of the money market, they have only in part been paid. The amount paid in has been safely invested, ready for use, if the bank should go into operation. We understand that an application will be made to the legislature for leave to commence business with a less amount of capital paid in than is required by the charter. We see no objection to having this privilege extended to them." Erastus C. Scranton became the bank's first president on July 24, 1855, and I. K. Ward its first cashier on September 16, 1859. The actual opening date of the Elm City Bank is not stated in available records. The first subscription on the capital stock was accepted on July 11, 1854, and the first loan was made on October 6, 1855, the same date of the first income item. The deposit ledger shows a deposit of sixty cents on October 30, 1855, and the second entry of \$13,528 was on November 8th. The first Elm City Bank bills were issued on October 22, 1855. Three plates were used for the first issue, plate 1 printed two ones, a two, and a three dollar bill; plate 2, three fives and a ten dollar bill; plate 3, a twenty, fifty and a one hundred dollar bill. The first dividend of the bank was paid on October 1, 1856.

Mr. P. T. Barnum, later the country's most prominent circus owner and manager, subscribed to \$50,000 worth of stock, but refused to complete payments. The stock ledger discloses no funds received from this prominent man.

The bank opened for business at the northeast corner of Chapel and Union Streets and remained there until 1904. Among its early customers were many of the prominent manufacturers: and loans to Jerome Mfg. Co., Scoville Mfg. Co., New Haven Clock Co. and Sargent Bros. Co., as well as many others, helped to finance these concerns so that they grew and gave employment to hundreds of working men in and around the city.

## TRADESMENS BANK OF NEW HAVEN

THE CHARTER for the Tradesmens Bank of New Haven was granted in 1854. Because of a lack of capital available in New Haven that year, it was approved in 1855, "that the Tradesmens Bank of New Haven, by their charter granted by the General Assembly, may open the books to receive subscriptions on the second Tuesday of July, 1855." The original charter called for a capital of \$500,000 and was amended to read \$250,000 in 1855. Fifty per cent of the subscription was payable immediately and \$25 a share called May 1, 1856, and the final \$25 on June 1, 1856. The first stockholders meeting was held at the New Haven Savings Bank where the first directors were elected. The first meeting of the directors was held on August 6, 1855, when they voted "to procure plates for bills and make arrangements for printing the same." The first plates cost \$800 for two and three-quarters steel plates, (four bills on a plate).

Matthew G. Elliott, president of The New Haven and New London Railway, was instrumental in the formation of this bank and resigned his position at the railroad to become president of the bank at a salary of \$1,500 a year. Wyllys Atwater, the first cashier, received the same pay.

The bank opened for business in August, 1855. The directors' minutes reveal that the bank rented rooms in the Sheffield Building on the north side of Chapel Street just below Orange Street, starting on November 1, 1855. The rent for the first year was \$400; for the second year \$650; the third year \$800; the fourth year \$900; and the fifth year \$1,000. The first safe was 54 inches high, including the wheels, 30 inches wide and 22 inches deep; "the bank to hire it until the 15th of July, 1857, at 6% interest on its cost, interest commencing July 15, 1856, and then to purchase it at Mr. Bacon's established price." The total expenses to January 1, 1857, were as follows:



Paid for procuring charter, various bills.....	\$1,054.98
Paid for commission opening books, for stock sub .....	270.00
Paid for gas fixtures, signs, etc. ....	743.97
Paid for Bank note plates.....	1,429.15
Paid for bonus to State.....	2,500.00
Paid for rent .....	400.00
Paid for salaries, fuel gas and sweeping.....	3,621.25
Paid Bank Commissioner.....	10.00
Paid miscellaneous .....	323.55
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TOTAL .....	\$10,352.90

The first dividend was 4% paid on January 5, 1857. The first mutilated bills totaling \$7,600 were burned on December 13, 1856; they were in denominations of \$1, \$2, \$3, \$5, \$10, \$20. By November 30, 1863, this bank had printed \$487,477 in currency, of which over half, \$264,177 being mutilated or torn currency, had previously been burned. This shows the rapid turnover and use that the currency of this bank had.

In the directors' minutes is this short, but to the point, notation of the youth of that day, "voted to pay the assistant \$300 per annum, provided he improves and conducts himself in a manner satisfactory to the president and the cashier." (July 1, 1858.)

## THE SUFFOLK BANK OF BOSTON

**I**N THE EARLY DAYS of bank currency, bank notes usually sold at a discount whenever they left the city or district in which they were issued. Generally, the farther from home they went, the greater the discount, for the holder of the note of a bank in a foreign city could not be sure of the strength of the bank of issuance. Boston realized, in the early 1800s, that although the banks in that city held about one-half of all deposits in the New England banks, they had only about four per cent of the circulation of that area. Perhaps it was due to the large amount of purchases made by outside

merchants of goods coming into Boston harbor. Then, too, these bank notes of other cities usually carried a discount up to five per cent, which made the handling of them complicated.

With this in mind the Suffolk System began, and the Suffolk Bank of Boston was chartered in 1818, and started dealing in uncurrent money in 1819.<sup>1</sup> This system required a deposit from any New England bank which wanted to maintain its currency at par. This bank earned its expenses by loaning money on these deposits and was quite successful. Most of the New England banks found it to their advantage to keep in the good graces of the system.

A great deal has been written about the Suffolk Bank, and the Bank Commissioner's Reports are full of well-deserved compliments. In 1843, the Connecticut Bank Commissioner wrote: "The system of redeeming their notes at the Suffolk Bank is still continued by the banks in this state, with two or three exceptions; and as every bank is under the necessity of redeeming an amount nearly equal to its whole circulation every sixty days, it operates as a check to excessive discounts, and other issues, and no doubt has exercised a salutary influence upon the paper currency of New England. Although such a test of the soundness of banks is not infallible, still, your commissioners have advised those banks which now redeem only at their counters, to adopt this system, thereby producing uniformity of action throughout the state."

In 1845, the Commissioner wrote, "The importance of the Suffolk system of Banking in New England is stressed again and again in the commissioners' reports and is considered by the Commissioner as the best among systems all over the Union, being a check and regulation and safety measure for the banks and the people, better than any laws passed." Again in 1847, "The check upon excessive issues furnished by the arrangement of most of the New England

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<sup>1</sup>Parsons, Francis, *A History of Banks in Connecticut* (Yale University Press, 1935), p. 14.

banks for the frequent redemption of their bills at the Suffolk Bank of Boston has hitherto provided highly salutary, and alike conducive to the safety of the banks and of the people. Most of the banks in this state have long been in this arrangement, and it is believed that they have met their redemption with great punctuality. This course of redemption will doubtless be continued, and so long as it is carried out with punctuality and in good faith, little danger will arise that the bills of our banks will be depreciated." And again in 1851, "On this point ('this' refers to a new idea the banks had of lending money by selling bank bills at a discount instead of issuing notes) there can be no reasonable ground to apprehend danger, as long as the present system of redeeming the bills in circulation is continued by the Suffolk Bank of Boston. The absolute necessity devolving on each bank to redeem its issues at some place abroad, and in one of our great commercial cities, requires available resources, and of the most reliable kind, to meet the continued stream of paper on its return through the Suffolk Bank. The inability to redeem would at once dishonor the bank and cause it to wind up its affairs in season to save the bill-holders harm. It is estimated that the entire circulation of every bank in Connecticut passes over the counters of the Suffolk Bank, on its way home for redemption once in five or six weeks."

The New Haven Bank at a meeting on September 28, 1847, voted to redeem its notes at the Suffolk Bank direct hereafter, instead of doing so through The Phoenix Bank. The old records of the Elm City Bank, the New Haven Bank, the Quinnipiack Bank and the Tradesmens Bank reveal that they all carried a balance of at least \$2,000, the required amount, at the Boston Bank. On July 8, 1858, the president of the New Haven County Bank was instructed to vote against the abandonment of the present system of redemption at the Suffolk Bank, so that it can be assumed that they too carried the necessary balance there. This Suffolk system operated until 1858, when it was succeeded by the Bank of Mutual Redemption.

On November 22, 1858, the New Haven Bank voted to withdraw its balance of \$2,000 from the Suffolk Bank.

With the onset of depression in Europe at the start of 1857, American business slumped and the stock exchange fell. Call loans jumped to 20% interest when loans were called in. In New York City, eight banks failed on October 12th and fifteen more on the 13th. Elsewhere, seventeen other banks failed. On the same day The Broadway Bank of New York paid out \$140,000, a lot of money in those days. New Haven banks experienced a moderate run. It is estimated that \$20,000 had been paid out by October 15th. That night local banks met and decided to suspend specie payment. This was two days after New York and Boston banks had suspended payment. On December 14th, specie payments were resumed in New Haven.

During the periods of suspension of specie payments in 1837 and 1857, the local banks continued to pass out their own currency when loans were made, or for any other bank business, other than that which would decrease deposits. This kept currency in circulation in the city and provided a breathing spell for the banks. By the time that specie payment was resumed, the public's fears had subsided and banks were able to resume transactions in a normal way. In 1857, hundreds of local citizens were glad to work for fifty cents a day, and many of New Haven's wealthy citizens doled out bread, which they had baked themselves, to poor people to keep them from starvation. New Haven merchants and manufacturers suffered as did those in other cities.

### CONNECTICUT SAVINGS BANK

THE CONNECTICUT SAVINGS BANK of New Haven incorporated on May 1, 1857. Apparently the city needed a second savings bank, as this bank grew rapidly from its very inception, for within one year after its opening the bank had 480 customers with deposits

totaling \$60,177. Edward Beecher claims in his writings about New Haven that this bank opened because Democrats were unable to obtain loans from the New Haven Savings Bank;—Treasurer Pardee of the New Haven Savings Bank was an old time Whig and was opposed to dealing with the opposite party. However, whatever the reason, the Connecticut Savings Bank opened on June 22, 1857. The first deposit was made on July 8, 1857, by Captain Joel Ives of Branford, who was the first treasurer of the bank. This deposit was for \$200 and was entered in book #102. Books from #1 on were issued on later dates. The bank's charter was dated the first Wednesday of May, 1857, and was approved by legislature June 22nd. Although the approved date and the opening date are the same, we imagine that the period from June 22nd to the date of the first business transaction on July 8th was spent in preparing the banking rooms for actual operation. The first business of the bank was conducted in the Elm City Bank Building at Union and Chapel Streets. Within a year they moved to 257 Chapel Street, which was half way between State and Orange Streets on the north side of Chapel just east of the Register Building.

James English was the bank's first president. Other indications that this bank grew rapidly are revealed by the fact that the first mortgage loan was made just four days after the first deposit was made. This mortgage was for \$1,000 and transactions were completed on July 12th. The first check drawn by the bank was dated July 16, 1857, drawn on the Elm City Bank, payable to the Elm City Bank for 22 shares of stock in that bank. This stock purchase has remained on the books of the bank to the present date, although it is now the stock of The Second National Bank. It would be interesting to figure out just how much the Connecticut Savings Bank has received on this stock in the form of dividends. The first dividend paid by the Connecticut Savings Bank was \$844.15, 6% on deposits, on January 15, 1858. The early deposit books of this bank are quite interesting; to quote one sentence, "It is generally a



multitude of small expenses that keep a man poor, so it is the small savings that make him rich."

The bank remained on Chapel Street until 1869 when it moved to its new home in the Simons Building at 83 Church Street, northeast corner of Center Street. S. H. Elliot wrote in a book entitled *New Haven* in 1869: "Travellers always carry money with them, and many times have business with the banks. The City of Elms is as well supplied with good and safe banking institutions as can be found in the country. The buildings, and rooms, and vaults are an honor to the institutions, and an ornament to the city. The banking places of a city usually reflect honor on it, and so we find New Haven, with reason, boasting of her handsome banking institutions. Look at the new and elegant marble building on Church Street, nearly opposite the Post Office, which the Connecticut Savings Bank has recently built and now occupies. What a tall, elaborate, and beautiful front! How the marble sparkles in the sunlight! What a sensation almost of giddiness seizes you as you stand near it, and look steadily upward to its highest point. It is a tall, splendid edifice, an ornament to any city in the country."

#### CITY SAVINGS BANK (TOWNSEND)

UNDER THE General Banking Law passed by the legislature of 1850, the City Savings Bank and Six Penny Savings Bank, incorporated in 1854, was organized and opened for business June 23, 1860, in an office on the second floor of the Bank Building (Sheffield Building) at 111-113 Chapel Street, later known as 793 Chapel Street. The law of 1850 was repealed in 1860 soon after the chartering of the bank. The Bank Commissioner recommended that the City Savings Bank be given a special charter. James M. Townsend, president and treasurer of the bank, asked for and received a special charter for the bank under the name of the Townsend City Savings Bank with the power to receive all monies now on deposit



in the City Savings Bank. The Bank Commissioner's report states that the first deposit was received by the Townsend City Savings Bank on January 1, 1861. An advertisement in a local paper on May 17, 1861, stated that the bank would begin operations as the Townsend City Savings Bank on that day in the upstairs floor of The Sheffield Bank Building, receiving deposits from five cents to \$1,000, and paying interest from the day of deposit, free of taxes. The name of the bank was changed again on May 27, 1863, to the Townsend Savings Bank and in August, 1865, it moved to the southwest corner of Chapel and Orange Streets.

Under the General Banking Law of 1850, several other Building and Loan Associations besides the City Savings Bank incorporated in and around the city. So that they will not be confused with commercial and savings banks, it would seem proper to list them here: The Peoples Savings Bank of New Haven, 1853; The Mount Carmel Savings Bank and Building Association, 1850; The Fair Haven Savings Bank and Building Association, May, 1852; and The New Haven Savings Bank and Building Association, April, 1853.

### QUINNIPIACK BANK

UNDER "the act authorizing the business of banking" passed by the May session of legislature in 1852, the Quinnipiack Bank was organized. The object of this new legislation was "to furnish a paper currency, the value of which shall be equal to gold and silver, by being based upon the best of all credit, the good faith of states and cities." The capital of this new bank was \$500,000 with shares at \$100 each. The articles of association were dated February 9, 1853, and although the old records of this bank do not give the opening date, it would seem that the bank started operations in February, 1853. The first annual meeting was held March 1, 1854, when a dividend of 4% was declared. The articles of association stated that the bank was to terminate after 100 years of existence.

On July 15, 1853, the directors voted "that the president be authorized to direct the State Treasurer to have printed and ready for delivery when ordered, bills as the president may direct to the amount of \$50,000." On August 20, 1855, they voted that Tappan, Carpenter and Company be employed to print notes for the bank.

Mr. William S. Charnley was elected the bank's first president and Mr. Alexander McAlister, the first cashier. By 1855 the outstanding circulation totaled \$106,000 and loans \$520,000. The bank operated from 1853 to 1869 at 126 State Street in the old Mechanics Bank Building, which it purchased for \$8,000 on February 18, 1853. (The Mechanics Bank operated at their new building at 122 State Street.) The first note was discounted on February 19th for \$300 and another for \$1,000. The first payment on the capital stock was received March 10, 1853. The directors voted on August 19, 1862, that H. M. Welch be authorized to sign, as vice-president, the bills of the bank during the absence of the president. (Mr. Welch as vice-president received no pay for this work.) The president and cashier each received \$1,500 a year for their full time services. This bank was designated as the depository for the city of New Haven in 1860 and for many years the city carried its checking account there.

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The Board of Directors of The New Haven County Bank on July 7, 1858, appointed "a committee of investigation" to examine the bank. Their report of 68 pages was printed in book form, a copy of which is in the New Haven Public Library, an extremely interesting document. According to this report, accounting practices in the bank were extremely lax. "Whenever a discount was made for a greater rate of interest than six per cent, or when a large exchange was taken; instead of making an entry upon the books of the Bank, showing from what source it came, and what for; so that

parties interested might know what had actually been received, and how used; the President would in some instances use the funds in payment of such expense direct. At other times he would put it in a 'Pocket-Book' kept in the vault of the Bank, or would put it in the Profit and Loss drawer, and then soon after take a greater or less sum from this drawer and put it in the 'Pocket-Book.' No person ever put money into this 'Pocket-Book,' except the President; and your Committee cannot learn that anyone ever took money therefrom, except in two instances; when the Cashier took at one time \$50, and at another \$10, for the purposes of the Bank. No account was ever kept of the money in the 'Pocket-Book;' and the President states that he had no memoranda from which he could tell, had one, two, or three hundred dollars been taken therefrom at a time without knowledge. Your Committee cannot learn the amounts of money that have gone into that 'Pocket-Book,' nor how it has all been used. The President states that at one time in 1848, there was \$5,000, or about that sum, in this 'Pocket-Book,' and that he will attempt to give an estimate of the amount of money that has gone into that 'Pocket-Book' in this way during the time the same has been in the Bank. That he cannot tell whether \$10,000 ever went into it in any one year. The reason given for putting aside a portion of the money of the Bank in this form, is that the same was received 'as large exchange or large interest,' as the President calls it, and this mode was adopted of disposing of the money so that the books of the Bank should not show that the Bank was discounting paper at usurious rates of interest."

Further on the report states that whenever the President found it necessary to travel he would use the money in the "Pocket-Book" account instead of putting through an itemized expense account. The practice of allowing overdrafts in checking accounts was evidently the custom of that period and banks obtained quite a bit of revenue by charging interest on overdrawn accounts, the same as

they would on demand loans. The President of the bank knew when the auditors would come to examine the bank as well as knowing when reports had to be filed, and could run the bank in-between times just about as he wanted to. The loans this Bank had made to Western Railroads turned out to be poor ones and on May 18, 1859, the capital of the bank was reduced from \$500,000 to \$340,000 with shares at \$8 each with the privilege of increasing the capital to the original amount. At the next meeting of the directors, it was voted: "that there should not be more than one cash account in the bank."

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With the outbreak of the Civil War in 1861 came the stock market panic of December 16, 1861. The New Haven Bank voted on December 30, 1861, that because the banks in New York and Boston had suspended specie payment that they would confer with the other banks in the city to see if local payment suspension would be necessary. If the local banks did, it must have been for a short duration for on March 13, 1862, this bank used its large surplus of cash to purchase government bonds. As follows any declaration of war, business soon became very active and government war bonds sales grew rapidly. This war was financed by three-year bonds which yielded about 7.3%. Bankers wanted to credit government deposits in their own institutions when they purchased bonds for themselves or their customers, but the government demanded specie payment and a short time later this currency was deposited in the same banks. Hoarding of specie started. When specie was paid out by the Treasury it did not return to the banks. This led to the Treasury issuing greenbacks as legal tender. It is said that business reached its peak when the government was spending two million dollars a day.<sup>2</sup> All this, of course, led to inflation.

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<sup>2</sup>Atwater, Edward E., *History of City of New Haven* (W. W. Munsell & Co., New York, 1887), p. 337.

With the increase of business at the start of the Civil War, coins became extremely scarce. The government mint found it impossible to keep up with the demand. Twenty-four states and 396 towns found it necessary to mint their own coins, mostly pennies, out of copper, tin, lead, zinc, or silver. These coins were minted from 1861 to 1864. There were nearly nine thousand different varieties, some of which were minted in New Haven. The J. E. Bassett & Co. of New Haven had minted in the early 1860s a quantity of coins the size of the large pennies, but evidently did not find it necessary to put them into circulation. Many private companies minted advertising coins or "encased postage stamps" about this time, which also circulated in amounts from one cent to ninety cents.<sup>3</sup>

When so much is written about the faults of bankers, it seems good to read articles commending the honesty and ability of the majority of bankers.

S. H. Elliot in his story on *The Attractions of New Haven*, wrote: "There is not a poor and mean edifice among them (referring to banks). Their business agents are well known, responsible men. Money is safe in their hands. We suppose uncounted gold would be. The vaults of the new banks have been made perfectly impregnable to the cunning of burglars and bank thieves. If we had an iron box full of gold and silver, how gladly would we deposit it in safe keeping in those granite and iron-bound receptacles."

Then again we read in the Bank Commissioner's Report of 1864: "The banks of Connecticut are managed with great prudence and fidelity to the public interest and that of the stockholders generally, by men of wealth, experience, and the highest integrity, who have retired from active business and whose chief care is to manage wisely the institutions over which they preside. It may be stated with great truth that the cashiers have proved themselves worthy of

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<sup>3</sup>Raymond, Wayte, Inc., *The Standard Catalogue of United States Coins and Currency* (1936 edition), (Scott Stamp & Coin Co., New York).



especial commendation for their honesty, devotion, and the marked ability with which they have discharged their responsibilities and duties. The savings banks of Connecticut are managed with great prudence and wisdom and are safe depositories for the funds entrusted to their safe-keeping and management."



TABLE I  
ASSETS AND LIABILITIES OF COMMERCIAL BANKS

JULY, 1863

BANK COMMISSIONER'S REPORT 1864

LIABILITIES	CITY BANK	ELM CITY BANK	MECHANICS BANK	MERCHANTS BANK	NEW HAVEN BANK	N. H. COUNTY BANK	QUINNIPIACK BANK	TRADEMENS BANK	TOTALS
Capital .....	\$500,000.00	\$634,000.00	\$300,000.00	\$500,000.00	\$464,800.00	\$280,000.00	\$500,000.00	\$300,000.00	\$3,478,800.00
Circulation .....	191,518.00	389,416.00	130,987.00	163,347.00	188,102.00	119,597.00	161,216.00	210,693.00	1,554,876.00
Due to Banks in State.....	6,416.72	6,790.71	14,992.70	1,701.51	13,627.27	6,635.35	28,912.64		79,076.90
Due to Banks out of State.....	23,937.52	19,552.10	28,987.28	11.07	3,905.17	76.69	3,877.60	49,013.05	129,360.48
Deposits .....	162,493.03	394,598.98	171,428.35	145,315.30	272,501.08	166,322.10	157,501.33	166,323.37	1,636,483.54
Dividends Unpaid .....	15,562.00	25,752.00	13,340.00	16,263.42	22,866.00	3,322.16	1,753.02	12,324.50	111,183.10
Surplus .....	31,202.55	50,660.35	46,744.17	70,000.00	44,818.42	54,691.29	23,000.00	18,000.00	339,116.78
Miscellaneous .....	450.00			1,354.16	34,679.81	27,074.15	9,965.62	459.45	73,983.19
Totals .....	\$931,579.82	\$1,520,770.14	\$706,479.50	\$897,992.46	\$1,045,299.75	\$657,718.74	\$886,226.21	\$756,813.37	\$7,402,879.99

RESOURCES									
Banking House .....	\$ 28,000.00		\$ 14,000.00	\$ 27,000.00	\$9,200.00	\$ 8,000.00	\$ 10,800.00		\$ 97,000.00
Real Estate .....	109,766.09	\$ 34,000.00		115,174.11		82,225.61			341,165.81
Specie .....	23,230.00	50,989.31	14,952.87	18,266.42	28,478.19	12,398.00	18,741.49	24,341.43	191,397.71
U. S. Notes.....	4,146.00	10,195.00	2,300.00		19,366.00	911.00			36,918.00
Other Bank Bills.....	12,526.74	2,222.00	15,191.01	8,423.70	5,820.00	1,585.00	3,594.00	5,948.00	55,310.45
Due from Banks in State.....	13,815.70	30,697.88	9,367.03	5,552.99	30,585.05	3,061.14	17,259.00	46,294.99	156,633.78
Due from Bank out of State	63,942.29	251,955.65	70,117.42	30,066.73	52,940.00	35,748.21	56,697.17	57,260.17	618,727.64
U. S. Securities.....	281,100.00	231,051.58	283,000.00	104,859.33	386,800.00	60,255.05	102,000.00	103,938.07	1,553,004.03
Other Stocks and Bonds.....	40,912.25	3,000.00	10,000.00		41,400.00	2,000.00	14,000.00		111,312.25
Miscellaneous .....	2,428.66	68,480.25	568.42	1,401.89	30,509.66	57,804.11	5,741.84	2,980.37	169,915.20
Loans .....	351,712.09	838,178.47	286,982.75	587,247.29	440,200.85	393,730.62	657,392.71	516,050.34	4,071,495.12
Totals .....	\$931,579.82	\$1,520,770.14	\$706,479.50	\$897,992.46	\$1,045,299.75	\$657,718.74	\$886,226.21	\$756,813.37	\$7,402,879.99

SAVINGS BANKS JANUARY 1, 1864

	CONNECTICUT SAVINGS BANK	NEW HAVEN SAVINGS BANK	TOWNSEND SAVINGS BANK	TOTALS
Deposits .....	\$1,137,402.11	\$2,413,375.36	\$1,416,668.65	\$4,967,446.12
Balance in interest account.....	29,065.42		9,107.13	38,172.55
Surplus .....		24,846.04	13,452.75	38,298.79
Total Assets and Liabilities.....	\$1,166,467.53	\$2,438,221.40	\$1,439,228.53	\$5,043,917.46



## CHAPTER IV

# THE TREND FROM STATE TO NATIONAL BANKING

1863 - 1900

NEW HAVEN grew rapidly in population from 1863 to the opening of the twentieth century. The census of 1863 shows a population of only 40,000 as of June 20th; by 1870, the city and its suburbs had reached 50,840 persons, and by 1900, this figure had risen to 108,027. The number of banks increased as the city grew and six new banks were organized. Increased capital in many of the banks gave industry an opportunity for larger loans in any one bank. On January 28, 1878, the first commercial telephone exchange in the world opened in New Haven, and in 1881 the first electric company in the city was organized. During this period many of the large manufacturing concerns expanded and new ones were formed, and altogether the banks played an important role in the city's growth.

The National Bank Act was passed and signed by President Abraham Lincoln on February 25, 1863, to provide the United States with a new and lasting market for government bonds and a uniform and stable banknote currency. National banks were allowed to issue 15% more currency than the states allowed their banks to issue. The first paper money issued by the government of

the United States was authorized in 1861, and in February, 1862, this currency became legal tender. In 1865 a prohibitive tax of 10% was imposed on state bank bills which resulted in driving them out of circulation. By 1867 the circulation of Connecticut state bank bills was almost entirely replaced by national bank currency. The public realized that even if the issuing bank failed, the national bank currency would be redeemed in full. The state banks were requested by the Commissioner, under the new Connecticut statutory law, to turn over to him all counterfeit or altered notes, and in 1865 the total of \$14,552 of worthless bills were received by his office from the banks under his jurisdiction. Because of the shortage of coins in 1863, the government issued fractional currency, commonly called, "shin plasters." These were issued until 1876. The Confederacy, most of the confederate states, as well as the banks in those states, issued bills during the Civil War, which soon became worthless.

Of the 134 national banks organized in 1863, 23 were rechartered state banks and 111 were newly established banks. In New Haven, one new bank organized and six of the local state banks soon found it to their advantage to join the National Banking System.

On September 29, 1864, the board of directors of the New Haven Bank voted "That S. S. Punderson an agent of the bank to print notes of the bank, may print them at his room, he agreeing to bring his dinner with him and strictly superintend the operation." The first assistant cashier of the bank was appointed in 1862.

### FIRST NATIONAL BANK OF NEW HAVEN

THE 66 DAYS between the passing of the National Bank Act and May 2, 1863, were busy days for four prominent New Haven citizens. Articles of Association were drawn, and these four men, Harmanus M. Welch, James E. English, Amos F. Barnes, and Daniel Trowbridge, along with Elisha N. Welch of Bristol, between them

subscribed to the \$300,000 of stock in a proposed bank. On May 2nd, the Articles of Association of the First National Banking Association were submitted to Washington along with a letter asking if their currency would be ready by June 1, 1863. On May 14th a request was sent to Washington for permission to use the name, the First National Bank of New Haven and on May 25th, the Articles of Association were again forwarded in an amended form.

The First National Bank of Philadelphia deposited its preliminary certificate on May 28, 1863. Although it had been agreed by the treasury officials that the first certificate of authority to commence business should be given to the First National Bank of New Haven, as the earliest organization, Mr. Jay Cooke, who had been of great service to the government in negotiating its loans, was very anxious that The First National Bank of Philadelphia should have the first certificate. Mr. English, at that time in Washington as a member of Congress, very courteously withdrew in favor of the Philadelphia institution. The First National Bank of New Haven received, therefore, the second certificate on June 20, 1863.

This bank opened its doors for business on July 1, 1863, in a room on the second floor of the Cutler Building on the southeast corner of Church and Chapel Streets. As business expanded the bank moved across the street to the Austin Building on Chapel Street, close to the corner of Church Street, in 1866, where it remained for about four years. In 1870 Governor English erected a five story building on Orange Street in back of the New Haven Bank. The First National Bank remained there for 25 years.

The original safe for the bank was built at a cost of \$950 according to a contract signed on April 25th. It was 51 inches high, outside width 46 inches, 34 inches in depth, and fire and burglar proof. The bank, that year, deposited \$213,000 in bonds with the United States Treasury, \$163,000 to guarantee its currency and \$50,000 to secure public funds. Mr. C. S. Bushnell borrowed money from this bank on his endorsement to finance the building of the Monitor,



which figured so prominently in the Civil War in defeating the Merrimac in a naval battle. This iron clad boat was built in New Haven by Captain John Ericsson at a cost of \$275,000. The financing of this vessel, along with the purchasing of United States bonds to finance the war, by this new bank, established the principle of the "First" to always be of aid to the country in times of need.

Mr. Harmanus Welch was elected the first president of the bank, and William Moulthrop, formerly with the Quinnipiack Bank, the first cashier. On February 1, 1865, the bank's capital was increased to \$500,000. By the close of the year 1867, the bank's deposits totaled nearly half a million dollars and its total assets nearly a million and a half dollars.

The blizzard of '88, the heaviest snowfall on record in this city, did not stop President Welch from attending to his duties at the bank. During the height of the blizzard he arrived at his bank on a sleigh drawn by two oxen, which he obtained from The Blakeslee Bros., New Haven contractors.<sup>1</sup>

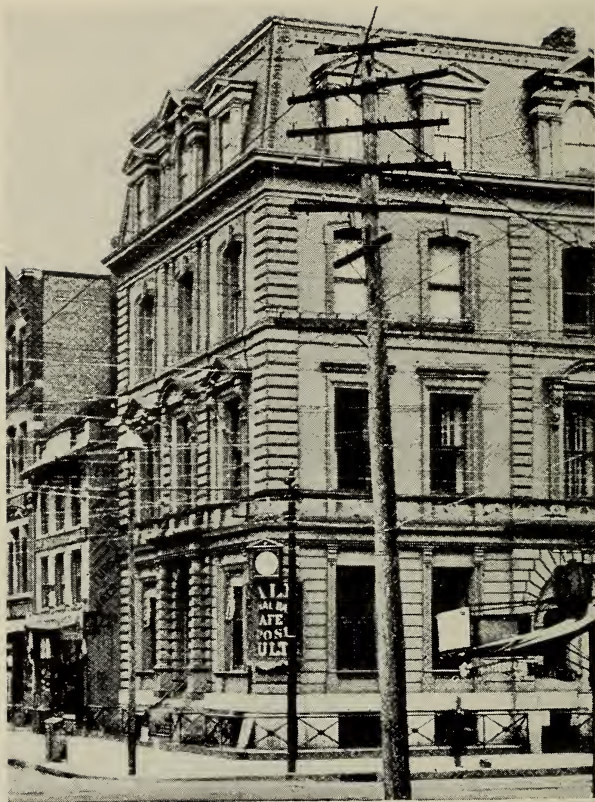
The First National Bank purchased the land at the southwest corner of Church and Crown Streets in 1893, and the following year erected an eight-story building. The vault in this building weighs 70 tons and is completely burglar and fire-proof. The building was completed and the bank moved in on Thursday, December 19, 1895. The *Commercial Record* in December, 1903, wrote that: "A noticeable feature is the ladies' lobby, where ladies can reach the counter of both paying and receiving tellers through special windows. New bills are always given to ladies in payment of their checks."

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<sup>1</sup>Your writer remembers that during the blizzard of February 19th and 20th of 1934 when the snow was 23 inches deep with drifts of four or five feet, and all transportation had stopped, that he had the pleasure of walking the five miles from East Haven to New Haven with Warren Crawford, cashier of the First National Bank, with George R. Willis, cashier of the New Haven Bank N. B. A., joining in at Grannis Corner.



FIRST NATIONAL BANK



YALE NATIONAL BANK



## SECOND NATIONAL BANK OF NEW HAVEN

THE ELM CITY BANK, incorporated in 1854, changed its name to the Second National Bank of New Haven when it became a member of the National Bank System on February 3, 1864. The bank's deposits were transferred on February 5th and 6th, and the first notes bearing the name, "Second National Bank of New Haven," were dated April 6, 1864. Apparently the Treasury Department Bulletin #8 of July 7, 1863, which stated that national banks in each city or town should be called the "First," "Second," "Third," etc. National Bank, slowed down the entrance of state banks who wanted to maintain their original charter names, from joining the System. This ruling must have been changed soon after, for the rest of the local banks maintained their original titles when they joined this System.

This interesting advertisement is taken from the *Daily Palladium* of August 7, 1865: "The new popular loan,—The Second National Bank will receive subscriptions for the new government loan. The notes have three years to run with 7 $\frac{3}{10}$ % interest payable semi-annually." Many advertisements and articles of this nature tend to show that the banks have always given their services willingly and without cost to the public or the government when the country needed financing. The Second National Bank erected a new building in 1873 at the same location on the corner of Union and Chapel Streets.

Old records of the Second National Bank show a trend of conservative lending. They set up credit folders as early as 1882, giving financial data on many of the companies with which they did business. One item listed in this book of records has this interesting statement on August 3, 1883: "They, in a very gentlemanly manner, declined to furnish us a statement saying, 'That any inquiry about them must be simply from curiosity as they ask no credit and buy

for cash and avail themselves of all spot cash deposits.'” How true this is in banking. Many concerns refuse to give credit information when asked, only to find that when credit is needed by these concerns in a hurry, as happens many times, they criticize their banks for not making loans immediately.

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Five other New Haven state banks joined the National Banking System in 1865. The New Haven County Bank became The New Haven County National Bank on May 18th; the New Haven Bank assumed the title of The National New Haven Bank on June 2nd, (its application was dated April 26th and was authorized by the Comptroller of Currency on June 8th); the Merchants Bank changed to the Merchants National Bank on April 8th; the Tradesmens Bank changed to The National Tradesmens Bank on June 2nd; and the Quinnipiack Bank changed its name to the Yale National Bank. This left the city with only two state commercial banks—the Mechanics Bank and the City Bank. The years from 1869 to 1873 were prosperous years and the local banks' earnings increased and larger dividends were paid.

### YALE NATIONAL BANK

A MEETING was called by the directors of the Quinnipiack Bank on December 7, 1864, to consider converting the bank into the National Banking System and they voted to change the name to the Yale National Bank. The last directors meeting of the old bank was held January 31, 1865, which is also the date of the Articles of Association of the Yale National Bank. The Quinnipiack Bank's last published statement as of September 14, 1864, shows a capital of \$500,000, surplus of \$24,000, deposits of \$183,000, and circulation of \$202,318. On February 20, 1865, an appraisal of stock of the old bank was given as \$114.63 a share. The articles of association for the new bank provided that the bank should continue in operation for twenty years and were signed by J. A. Bishop as president.



The Yale Bank started with a capital of \$500,000 and on April 1, 1870, this was increased to \$750,000. Alexander McAlister was the bank's first cashier and the first annual meeting was held on January 9, 1865. The following September 19th, it was voted to purchase the Bradley Building at the corner of State and Chapel Streets at a cost not to exceed \$43,000 and that a new building be erected at a cost of \$70,000. The old building at 126 State Street was sold May 31, 1869, for \$25,000.

On February 16, 1866, it was voted that the Duplex lock known as the Yale Patent be taken off the burglar proof safe now inside the bank vault and in its place one of Bacon's best combination locks, called Covert's patent, be put on without delay. The directors voted May 4, 1869, that from then on they were to receive one dollar apiece for each directors' meeting attended.

The directors voted January 27, 1887, to sell to the United States Treasury \$445,000 in bonds that were up for redemption, and to deposit the money with the Treasurer of the United States to retire all circulating currency. Up to that time their circulation had steadily been around half a million dollars, but by March, 1887, this sum had dropped to \$72,000. The directors felt that because there no longer existed any profit in a large circulation and that as it was difficult to employ capital at a profit they would reduce the capital from \$750,000 to \$500,000 by repaying the stockholders \$33 $\frac{1}{3}$  on each share of stock held; this was approved on March 31, 1892.

The bank built a safe deposit vault under the pavement in front of the building in 1888, and also a directors' room in the basement; it being necessary to have more room on the first floor as business expanded. Apparently this bank loaned money all over the country, for many times it was necessary to foreclose on property in Texas, Missouri, and many other states. Dividends paid by the bank show that it was well managed, and its stockholders received a reasonable return on their investment.

## THE NATIONAL TRADESMENS BANK

THE DIRECTORS of the Tradesmens Bank on April 10, 1865, voted to convert into a national bank, and to increase the capital to \$500,000 in the interest of the stockholders. New articles of association were written on May 25th under the title of The National Tradesmens Bank of New Haven. The certificate of authority was granted by the Comptroller of Currency dated on June 2, 1865. The bank purchased and deposited with the United States Treasury, government bonds sufficient to procure a circulation of bills totaling \$150,000, asking for denominations of \$1, \$2, \$5, \$10, \$20, \$50, \$100. The president of the bank wrote on January 24, 1866, to the Comptroller of Currency stating: "If you have never sent forward the order given for \$16,000 in \$1-1-1-2 bills, you need not, as it takes too long to get them."; to which the answer came back: "We will not prepare plate \$1-1-1-2 as requested."

As in most banks, the directors received no pay for their services, until January 14, 1869, when they were voted one dollar for each directors' meeting attended. This was raised to the magnificent sum of three dollars in 1905. On May 15, 1877, the directors voted to accept the proposition to lease the building at 78 Orange Street, located in the rear of the Townsend Savings Bank at a rent of \$1,000 a year. Besides being larger and just as central, the bank saved \$1,000 a year rental, for the Sheffield Building rent then was \$2,000. Ten years later they purchased the lot at 96 Orange Street for \$20,000 and had a new building erected to fill their growing needs.

Matthew G. Elliott, who was president for 33 years, resigned on January 2, 1889, because of ill health and was succeeded by George A. Butler. Mr. Butler, who later became president of the American Bankers Association, was perhaps one of the most prominent and nationally known New Haven bankers.

The records of the Tradesmens Bank reveal that up to November 30, 1863, they had issued \$487,477 in state bank currency of which \$264,000, becoming mutilated, was destroyed by the directors from time to time. The last entry was made on December 1, 1875, when the total outstanding amount of state bank bills was \$1,898. On December 1, 1876, sixteen dollars more was destroyed. The bank still has some of their old bills on exhibition in their bank lobby.

### THE UNION TRUST COMPANY

THE UNION TRUST AND SAFE DEPOSIT COMPANY was incorporated in May, 1868, and chartered July 24th of the same year. The name was changed to The Union Trust Company in 1869. Henry Hotchkiss was elected the first president and William T. Bartlett treasurer on October 3, 1871. The Trust Company operated for a few months in the Palladium Building on Orange Street just around the corner of Chapel Street and purchased the building on the northeast corner of Chapel and Orange Streets on October 18, 1871. The first dividend was paid to stockholders on January 18, 1875, of 5%. The paid in capital in 1872 was \$100,000 and the charter provided that this could be increased to one million dollars.

The 1872 city directory is the first year that mention of this company is made. Benham's directory, 1872, contains a full page advertisement which states:

"The building has been purchased by the company (285 Chapel Street) and no pains nor expense spared to make it a first class banking house. It is furnished with a fire and burglar proof vault of the most approved construction and has an inside steel safe as nearly perfect as modern ingenuity and mechanical skill can make it. This company affords facilities to merchants, manufacturers and others for keeping their accounts subject to check at sight; the same as any state, national or private bank and at the same time receiving interest on their daily balances. Interest credited, and accounts current rendered monthly. 4% allowed on de-

posits subject to check on sight, 5% for specified time less than six months and 6% over 6 months. This company is authorized to receive and hold moneys, and properties in trust and on deposit, from courts of law and equity, including courts of probate and insolvency, executors, administrators, assignees, guardians, trustees, corporations and individuals; upon such terms as may be agreed upon. It will also act as transfer agent for railroads or other stock companies . . .”

This directory also lists four insurance companies, six railroads, four horse-drawn railroads and fifty-six manufacturers.

### NATIONAL SAVINGS BANK

THE NATIONAL SAVINGS BANK was incorporated in May, 1866, when a group of prominent business men met to organize this new mutual savings bank. The bank's charter, a perpetual one, was approved by the Connecticut Legislature on June 20, 1866, and the bank received its first deposit of \$400 on its opening day, Saturday, November 17, 1866. The First National Bank had just moved out of its original quarters on the second floor of the Cutler Building on the southeast corner of Church and Chapel Streets, and into this large room the National Savings Bank moved and remained until March, 1903. Charles Atwater was elected the first president and Hoadley B. Ives the first treasurer. The first savings bank book issued by the bank is still in the bank's possession and contains the following comments worthy of reprinting here.

#### FACTS TO BE REMEMBERED

Savings Banks are admirably calculated to produce good results. When one has money by him, he is constantly tempted to spend it for articles not absolutely necessary, and is often induced to invest it in luxuries and amusements absolutely pernicious. If, however, he every week, or every month, deposits it in a Savings Bank, it will, like the plants in a garden, increase and multiply when he sleeps,

and grow from year to year, a comfort to him when well, his dependence and support in sickness and in the decline of life, and perhaps ultimately, after his death, the means of saving his wife and children from want and wretchedness. It is generally a multitude of small expenditures that keep men poor; so it is the small savings that make them rich.

Those who are well off today were, in nine cases out of ten, poor in early life. Their earnings were at first very small, but their expenses were still less; the difference was carefully saved, deposited in some safe place, made to yield interest, and thus foundations were slowly and securely laid for large accumulations. It is in this way that the money has been raised to pay for the convenient and comfortable dwellings owned and occupied, in so many cases, by the industrious, sun-bronzed and hard-handed Artizans, Mariners, and Farmers of our State.

We would, therefore, urge upon our depositors the cardinal virtues of industry, frugality, and economy. Work diligently, and save carefully; your little earnings intrusted to our care, will be loaned out and invested upon the very best securities. Our charter requires double security when loaned on real estate, in each case. We shall cause careful examinations of title to be made of property offered as security, and not be tempted by offers of large rates of interest, to risk a single dollar of deposits upon securities of doubtful character. Our first attention will be bestowed upon the safety of loans and investments, and a due but subordinate regard will be had to profits. No officer of the Bank can borrow money from the institution, and none but the Treasurer can, by law, receive any pay for his services. Accepting of their appointment, the Trustees are actuated, therefore, by a desire to benefit those for whom Savings Banks are especially organized.

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#### RULES AND REGULATIONS

1. This Bank pays deposits on demand, but may by the charter require a written notice not exceeding ninety days



of intention of withdrawal, which right will be exercised only when necessary for the protection of the Bank.

2. The Bank shall be at liberty to return the amount of all or any part of the deposits, when they think proper.

3. Depositors are requested not to present their Books at the Bank until after the 15th days of January and July of each year, to have the interest added.

### THE NEW HAVEN TRUST COMPANY

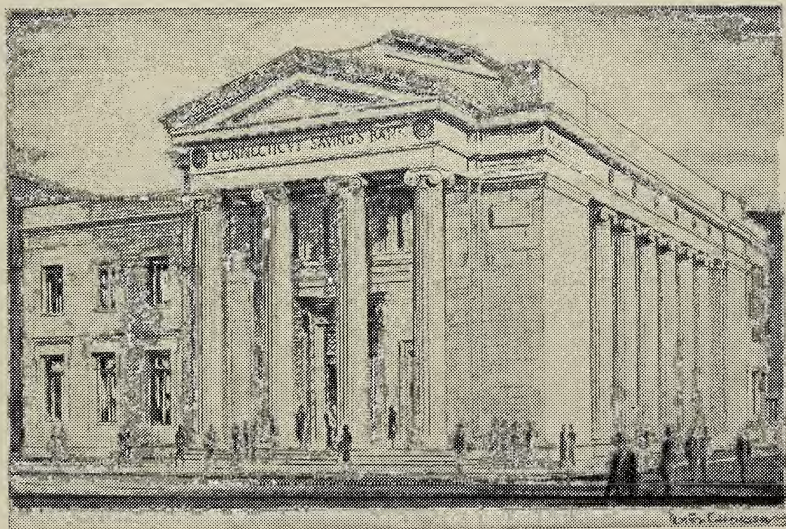
THE FIRST of two banks to operate in New Haven under the name, The New Haven Trust Company, had its charter approved by the Connecticut Legislature on July 20, 1871.<sup>2</sup> Although it was incorporated in 1868, it did not open for business until October, 1871, with a capital of \$25,000. By 1872 the capital was increased to \$100,000. On January 1, 1872, the bank had 47 depositors, receiving 4% interest on their deposits. The petition for this corporation was signed by Wells Southworth and other New Haveners; Mr. Southworth was the bank's only president. The following comment is taken from the Bank Commissioner's Report of 1874: "There are 11 trust companies and joint stock banking corporations in Connecticut on the first day of January, 1874. They generally combine the powers and functions of banks of discount and of savings banks, although two of the institutions confine their business to the loaning of their funds on the mortgages of real estate. An examination of their affairs, and of the copies of their statements which accompany this report, show that they have withstood the ordeal of the panic with stability. One of these companies, The New Haven Trust Company, has, since the first of January, commenced to close up its affairs, and hence it did not report to me on the first day of April, 1874." The deposits of this company decreased from \$236,000 on July 1, 1873, to \$117,000 on January 1, 1874. The best information available seems to indicate

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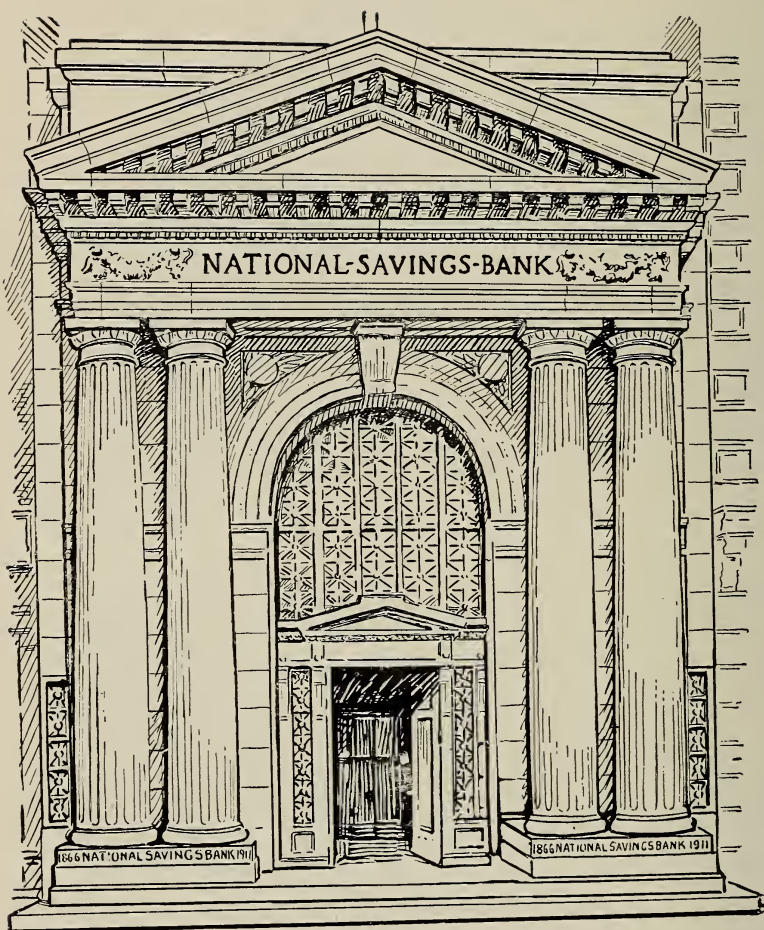
<sup>2</sup>*Special Laws of Connecticut*, Vol. 7, page 128.



NEW HAVEN SAVINGS BANK



CONNECTICUT SAVINGS BANK



NATIONAL SAVINGS BANK



that this company did little or no trust business, and operated as a savings bank and mortgage loaning business, and because of the panic of 1873 was forced to liquidate. It closed its doors between January 1 and April 1, 1874, without loss to its depositors. This bank was located at 67 Church Street and should not be confused with The New Haven Trust Company that incorporated in 1897.

### THE NEW HAVEN CLEARING HOUSE

ON DECEMBER 27, 1872, a representative of each of the commercial banks in the city met at the Second National Bank for the purpose of organizing a Clearing House Association. Wilbur F. Day was elected its first president and J. C. Bradley its secretary. It was voted that all checks resulting from the previous day's business would be cleared through the association and that daily balances on exchanges would be made. It was also voted that checks not good must be returned by 12 o'clock noon. Each of the banks would act as the clearing house for a period of three months. The Second National Bank acted for the first three months and the rest of the banks in the order of their charter date. The clearing operation began on April 1, 1873. On April 3rd, after much discussion, it was voted that items put in the wrong packages of exchanges would be returned to the bank making the error. The original members of The New Haven Clearing House Association and their numbers are as follows: #1, National New Haven Bank; #2, Mechanics Bank; #3, City Bank; #4, New Haven County National Bank; #5, Merchants National Bank; #6, Yale National Bank; #7, Second National Bank; #8, National Tradesmens Bank; #9, First National Bank. These clearing house numbers were given according to the age of the bank, #1 being the oldest in the city. These numbers were later used when The American Bankers Association national numerical system came into use and the #51 designating the State of Connecticut was used as the prefix.

Service charges received their first attention when it was voted on March 6, 1896, by the Clearing House Association, that member banks should make a charge of fifteen cents for cashing out-of-town checks for non-depositors on checks of less than \$100, and one-eighth to one-twentieth of 1% on larger sums at the discretion of the bank cashing such checks.

At a meeting of The New Haven Clearing House on May 3, 1897, a committee was appointed to act upon a bill, which was to come up before the state legislature, which would require every bank in the state to notify the town assessors of the names and descriptions of any stocks or bonds held by the bank as security against loans. This committee believed this information would be damaging to the best interests of the banks and the state, and was instrumental in its defeat. It was voted the same year by the Clearing House to allow money orders to be included in the Second National Bank clearings. In 1898 the Clearing House Association voted that the solicitations of accounts of one bank by another was to be prohibited.

### OPERATIVES SAVINGS BANK OF NEW HAVEN

THE OPERATIVES SAVINGS BANK OF NEW HAVEN was granted its charter at the May session of the Connecticut General Assembly in 1872. The bank opened for business in 1880 and was apparently intended to be a "six-penny" savings bank; one that would attract the working men who had very little to deposit. They intended to accept deposits that the larger banks in the city would frown on. Evidently there was no need for this type of savings bank, for total deposits on October 1, 1880, were \$119.71 and a year later, \$16.81. This bank operated in the Hoadley Building at 49 Church Street, near Crown Street and no expenses or salaries were reported. They had 31 depositors and paid 2½% interest on savings. The bank declined to receive deposits in 1882 and on March 14, 1883, their charter was repealed.



## THE PANIC OF 1873

THE PANIC OF 1873 has been summarized by the Bank Commissioner in his report of 1873 as follows:

"Our savings banks were made very sensibly to feel the effects of the panic, not only in the complete cessation of their deposits, but in the demands of their depositors for withdrawals. Some withdrew their deposits from necessity, owing to being thrown out of employment; others from fright, imagining that everything was going to ruin, and that they could keep their money more safely than the banks; and still others were tempted by the extreme low rates of first-class stocks and bonds, to take their money out of the savings banks for investment. The effect upon the banks was to cause them to cease loaning money upon any security whatever, and to throw upon the market a large amount of their most available securities to raise money for their own protection. In some parts of the state, the banks required the legal notice from their depositors, and closed their doors against all demands. Others paid their depositors on call . . .

"The lessons of the panic will not be lost upon the banks. A large portion of the commercial paper which many of them purchased at two- and three-fold the lawful rates of interest, was unpaid in their time of need, and much of it is still due. First class local business paper, discounted at legal rates, was paid, and in many cases gave the banks all the aid they required. But their main reliance for raising money was their public stocks, which found a ready market at a moderate discount. These must be considered the main reliance of every bank to meet emergencies."

This panic did have a direct bearing on the closing of the Townsend Savings Bank, which had been incorporated in 1860. This bank had grown rapidly to become one of the largest in the state, with 12,000 depositors, and deposits and surplus totaling \$3,871,964, as shown in the Bank Commissioner's Report as of January 1, 1873.

A year later, this total had decreased to \$3,617,423. At about this time a special Bank Commissioner's Report revealed a doubtful loan of \$394,000. As soon as this fact was revealed to the public, they became panicky, and then began a large demand for withdrawals of deposits. An attempt was made to meet these withdrawals, but soon the depositors were required to give a three months' notice for large withdrawals. During the summer months of 1874 constant small withdrawals were made, so that by September 1st, deposits had decreased another \$400,000. The three months' notices were now expiring and action had to be taken, so the newly appointed Bank Commissioner closed the doors of the bank on September 14, 1874, to enable a complete audit to be made.

This examination, later confirmed by a committee composed of four national bank presidents in the city, revealed probable losses of at least \$920,000. The bank records revealed a piece of property in Philadelphia taken to secure a note of Messrs. Baldwin and Faulkner, was the "cancer" that destroyed the institution. Several other large loans, unlawfully made, had been made with stocks and bonds as collateral which later were found to be nearly worthless. The receivers of the bank eventually were able to salvage and pay to the depositors 45.7% of their savings by 1887.

The Commissioner's Report also mentions that the recent failure of The Scranton Banking Company, which paid only  $12\frac{3}{4}$  cents on a dollar, also caused financial suffering among its New Haven customers. The city directories list an E. S. Scranton & Company Banking House at 89 Orange Street, who advertised, "This is an institution where deposits in currency and coin are received subject to check at sight and interest allowed on daily balances."

From 1861 through the opening of the twentieth century the local banks had some competition for deposits from the various "Bankers and Brokers" houses in the city. The Connecticut law allowed these companies to accept money on deposit subject to check. Their business was comparatively small compared to bank

deposits and was a nuisance to the commercial bankers who had to aid in clearing their checks. Besides the E. S. Scranton & Company previously mentioned was the Sperry & Kimberly Company operating at 89 Orange Street, which moved to 133 Orange Street in 1888. It was primarily a safe deposit and fire insurance company; but operated checking accounts also. The H. H. Bunnell's Banking house operated in the Yale Bank Building; Bunnell & Scranton Bankers and Brokers, were located at 216-218 Chapel Street; W. T. Hatch & Sons at 286 Chapel Street (later numbered 808 on the corner of Orange Street); H. C. Warren & Company at 108 Orange Street (later numbered 129 Orange Street); and McAlister & Warren at 87 Orange Street.

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All through the history of The New Haven Savings Bank we find that many times the officials of this bank were aware that many New Haven citizens were depositing large sums of money in their savings accounts and building up huge amounts to their individual credit. Although all business men like to see their business grow rapidly, savings bankers agree that their banks should not be investment houses for the public. The officials of this bank discouraged large accounts, for they realized that a savings bank with thousands of small accounts is safer than the bank that has a few large accounts. The Bank Commissioner in 1879 wrote that he favored the discouraging of large accounts, believing that people who accumulated wealth should be competent to manage their own estates and that this was not the duty of a mutual savings bank. Again, in 1883, he wrote: "The time is not far distant when it will be wise in view of these facts and the further fact that the government has established an interest rate of 3% upon its bonds, for savings banks to adjust their dividends rates. So long as they continue to pay higher rates than the government, so long will they be pressed to receive deposits from parties abundantly able to care for

their own property. The New Haven Savings Bank, with deposits amounting to five million dollars has already adopted a graduating scale of interest rates paying 4% upon deposits of \$2,000 and less, and 3% upon all sums in excess of that amount." Many depositors may wonder how savings banks could pay 5 or 5½% on savings deposits in years gone by. The answer is that high grade bonds in the later years of the 1800's paid 4% to 7 or 8% and mortgage interest was always figured at 6%. Compare this with government bonds of the Second World War with rates of 1½ to 2½%. This savings bank voted on December 20, 1893, that the custom of closing the bank for the first week in January each year be discontinued, and that interest be ready and payable on January 2nd. On March 17, 1894, the directors voted to purchase the southwest corner lot at Orange and Court Streets. Later they voted to build a building there ready for occupancy including decorations, furnishings and vault for not more than \$85,000. The first salary paid any president was \$1,200 a year, starting July 1, 1896, when it became necessary to have an active part-time president.

It was about this time that The New Haven Savings Bank experienced a run, in fact, so large a one that lines formed two blocks long. General Merwin, then president of the bank, knowing that there was no sound reason for this run, waited two days for it to end. Then, as the story goes, he procured half a million dollars in cold cash and on the third day of the run before the bank opened, he had this money stacked in one of the two large windows facing the street. He sat in the other window with a horse pistol—to protect the money of course. The funny part of it is that no more trouble was experienced.

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Although not a banking institution, mention must be made of The New Haven Banking Company, whose charter was granted May 25, 1893, giving the corporation the right to deal in mortgages, buy or sell government or municipal bonds. Their capital was \$100,000

and their charter was amended March 24, 1897. The company was subject to the Bank Commissioners' examinations twice a year, the same as savings banks. Approval was given to sell all the company's assets on April 20, 1915, and the charter was annuled July 1, 1921. It operated at 818 Chapel Street.

On September 1, 1886, The Mechanics Bank moved into its new building at 74 Church Street, the southwest corner of Center Street. The vault and safe deposit boxes were operated by The Mercantile Safe Deposit Company, whose charter was approved by the legislature on April 13, 1887. Rental of safe deposit boxes, according to their advertisements, were from \$5 to \$60 a year.

The banks of the New Haven Clearing House Association voted to close on Saturdays at twelve noon, during the summer months of July, August and September, of 1892. All of the banks closed according to schedule except the Second National, as the *New Haven Register* reported it, "there wasn't a quorum of directors in town to vote on the petition." On April 2, 1895, a Connecticut statute approved the closing of all banks in the state every Saturday at twelve noon, instead of three p. m. This statute also provided for legal holidays for January 1st, February 22nd, May 30th, July 4th, first Monday in September, December 25th, and Thanksgiving day.

### THE NEW HAVEN TRUST COMPANY

**A**N APPLICATION for a charter for The Trust & Safe Deposit Company of New Haven was granted by the General Assembly on May 2, 1895. This charter was amended to read The New Haven Trust Company on April 7, 1897. The charter contained the statement that, "the property of this corporation shall be listed and liable to taxation in the City of New Haven in the same manner as the property of individuals, and the shares of its stock shall not be liable to taxation." The statement of this corporation on October 1, 1896, listed capital of \$20,000 and undivided profits of \$979.25 and total



liabilities of \$20,979.25. One year later the undivided profits totaled \$1,574.96 and trust funds, \$2,795.10. In 1900 the capital was increased to \$100,000. T. Atwater Barnes was the bank's first president and Fred B. Bunnell, secretary and treasurer. The original quarters of this bank was room 302 in the First National Bank Building at 42 Church Street. In July 1903 the bank rented the building at 40 Church Street and moved into the first floor.

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Some of the older residents in the city will recall that on the roof of the Yale Bank Building was a large weather-vane, which was connected by means of a rod to a clock-like affair over the bank vault. In fact, it looked so much like a clock that many persons coming into the bank for the first time found this weathervane most confusing. This must have been a handy device, if the president of the bank liked fishing. All the old timers still talk about the blizzard of '88 with drifts in places of 30 feet in height, but even this did not keep the banks from opening for business.

Buckley's *History of New Haven* states that just before Labor Day in 1893, the local steel mills made a 10% cut in wages except for employees making less than thirteen cents an hour. Parson's *Banking in Connecticut* also states that because of a currency shortage in that same year, several of New Haven's industries paid their employees in checks of small denominations and that these small checks circulated freely as currency.

## CHAPTER V

# BANK MERGERS AND NEW BANKS

1900 - 1930

AT THE OPENING of the twentieth century, New Haven had eleven commercial and three mutual savings banks. During the next thirty years, ten new commercial banks began operations in the city and its suburbs. West Haven, Hamden, North Haven and East Haven were all growing rapidly as transportation facilities improved. The city was becoming crowded and thousands of people moved out into these country towns to build new homes. As these towns grew, stores, factories, theatres, gas stations and other businesses moved out also, and a need for banks in those communities arose. Of these towns, West Haven grew rapidly and a bank was organized there in 1912. The establishment of the Federal Reserve System in 1913 brought banks closer together, making check collections simpler and faster, and currency easier to obtain. Although the local banks tried to get into the New York City Federal Reserve District which was nearer and more convenient, the officials of the system decided that New Haven would be in District #1, whose headquarters are at Boston. All of the national banks in this city joined the Federal Reserve System for it had many advantages.

As deposits increased and new services were offered to the public, several of the banks found it necessary either to enlarge their build-

ings or to build new ones. The First National Bank had moved to 42 Church Street in 1895, and the National New Haven Bank, seeking larger quarters, purchased the old building of the First National at 130-132 Orange Street which was directly in back of The New Haven Bank. Both buildings were torn down and a new one was constructed into which The New Haven Bank moved on December 3, 1904. The New Haven Savings Bank found their quarters at 145 Orange Street too small, so they built a new building at the southwest corner of Orange and Court Streets in 1902. The National Savings Bank, finding it necessary to move into larger quarters, purchased and moved into the old New Haven Savings Bank building at 145 Orange Street in March 1903. The Connecticut Savings Bank in 1906 moved into its new building on the northeast corner of Church and Crown Streets. The Mechanics Bank, moved into its new home at the southwest corner of Church and Center Streets in 1912. During the construction of this new building the bank operated for about two years on the corner of Orange and Crown Streets. The Merchants Bank moved to the southeast corner of State and Chapel Streets in September 1911. The New Haven Trust Company moved out of the First National Bank building to 40 Church Street in 1903, and in 1911, along with the Union Trust Company, to 57 Church Street. The Second National Bank erected a one story building on Church Street near Court Street in 1904. In 1913, the United States Post Office purchased this building and the Second National Bank built a new "sky scraper" at 135 Church Street nearer to the corner of Church and Chapel Streets, New Haven's busiest corner. The old bank building, a beautiful piece of architecture was moved to Meriden, Connecticut.

In the *Saturday Chronicle* of November 17, 1906, is found the following editorial: "The announcement that the savings banks of New Haven would pay four per cent interest on deposits hereafter was received with a great deal of pleasure by thousands of depositors.



SECOND NATIONAL BANK  
Old and New Buildings





MERCHANTS NATIONAL BANK



The officials of the banks sit back and very smugly tell how they agreed together to so favor their depositors. The point of their beneficence and generosity is somewhat tempered by the fact that almost all of the smaller savings banks all over the state have been paying four per cent interest for years past, while the New Haven institutions, notably prosperous, have for the past few years handed out only three and one-half per cent. There is a reason for the change."

The writer of this article should have read the Bank Commissioner's Report dated December 31, 1897, page 11. The Commissioner suggested that banks then paying 4% would soon have to reduce their rates, in fact, many had to drop to 3½%, for as he states: "The bonds of fifteen cities especially mentioned in the investment law, return an average rate of 3.51, deducting taxes this leaves 3.26%." A previous report mentioned the government bonds were paying only 3%. Editorials like the above are always read with interest by bankers. Many times these writers forget that it is considered good banking to reserve a portion of earnings in good times to set up a surplus to protect depositors in periods of depression. The records of the mutual savings banks of Connecticut have certainly proved this to be true, for they are strong, healthy institutions.

An illustration to show how worthwhile it is to save money in a mutual savings bank can best be shown by an old New Haven Savings Bank book. On December 26, 1844, a customer deposited in account #2868 the sum of \$15. The only other entries made in this book are the interest payments added from time to time. On November 18, 1905, this depositor withdrew the accumulated sum of \$284.65.

It took a bank on the Pacific Coast to first introduce the system of putting out the first antiseptic, germ-proof bank notes. According to the *Saturday Chronicle* of August 27, 1910, "The National Bank of Spokane has begun issuing the notes warranted not to kill,

while Uncle Sam at Washington has been experimenting. Fifty thousand bills put out by the bank are signed with ink which consists largely of carbolic acid. The acid means sure death to all sorts of germs. It behooves everybody now to accept no paper money that does not have the smell of carbolic, even though this smell is suggestive of a funeral. It is tainted money, but is germ-proof, and as such, worthy of circulation among ones who believe that life and the pursuits of happiness are more valuable than a 'sawbuck' warranted to kill on the first contact."

Here in New Haven, one of the professors at Yale University took it upon himself to analyze some of the dirtiest bills that one of the local banks could collect. He found them to be without germs, so the story goes, and his observations were that germs cannot live without food and there was a definite lack of food on the dirtiest of bills. This story is still being used by local bank tellers who dislike the handling of new bills for they often stick together, resulting in differences in the day's proof.

## THE PEOPLES BANK AND TRUST COMPANY

THE PEOPLES BANK AND TRUST COMPANY opened for business on December 28, 1905. The years preceding the depression of 1906 were prosperous ones, and a group of citizens believed they saw an opportunity for a sound investment. Most of the men in financial circles in the city believed that New Haven had a sufficient number of banks to handle the city's finances safely and effectively. Many articles were written in the *Saturday Chronicle*, a local weekly paper, on the merits of another bank, and an effort was made to keep the city from becoming "over banked." The petition for a charter was refused by the General Assembly, so the incorporators obtained the charter of the Holland Guarantee Company issued in 1899 to a Bridgeport-New Haven group, and proceeded to get this charter's

name changed by the court to The Peoples Bank and Trust Company on October 11, 1905. The capital of this bank on September 4, 1906, totaled \$90,500 and total assets were \$365,628.64 on that date. This institution paid particular attention to savings depositors, offering and paying them, 4% interest. George B. Martin was elected the first president and R. D. Muir the treasurer.

The following article was taken from the *Chronicle* of November 25, 1905: "Some bankers were discussing recently as to the advisability of the new Peoples Bank and Trust Company engaging in a savings bank business, which it is permitted to do under the terms of its charter. The opinion seemed to be that there were opportunities for another savings institution in the city. Some persons present, not acquainted with the amount of business done by the three local savings banks were surprised to learn that they will have on January 1st, about \$25,000,000 deposits. The interest on this big lump of the people's resources at 4% would more than half pay the running expenses of the municipality for a year. At the last report made to the state, the New Haven Savings Bank leads with \$13,000,000 in deposits, the Connecticut Savings Bank runs second with \$8,000,000 and the National, third, with \$3,000,000. The increasing deposits shows the thrift of the community and good business activity. The boom in real estate is of great importance to the savings banks, which are, from time to time compelled to take over property by foreclosure proceedings. Higher prices in real estate enables them to unload their burdens at a profit, and affords better security for loans outstanding. The grand list of the city of New Haven is about \$109,000,000, and it seems almost impossible, yet it is a fact that the citizens have on deposit in the three savings banks a sum almost as large as one-fourth the value of all the real estate in the city." The capital of the Peoples Bank and Trust Company was increased to \$200,000 by March 11, 1911, and again to \$300,000 in February 1913, and by 1916 the total number of depositors was 2,500.

In 1921, while 461 banks in the United States failed,<sup>1</sup> New Haven had but one necessary change in the picture. The Peoples Bank and Trust Company, being in trouble, was absorbed by the Union and New Haven Trust Company on April 25, 1921, at the advice of the State Bank Commissioner, adding four million dollars to the deposits of that bank, and without loss to the depositors of the Peoples Bank. The Bank Commissioners' Report of October 1, 1920, lists the resources of the Peoples Bank and Trust Company at \$5,876,631.35; capital, surplus, and undivided profits at \$515,682.53, and deposits at \$4,794,151.04. Interest paid on savings accounts was 4%.

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Several articles regarding the Mechanics Bank are found in *The Saturday Chronicle*. On March 5, 1910, was written, "The proposed new building of The Mechanics Bank at the corner of Church and Center Streets has the advantage that it looks more like a business building than some of the Mausoleum-like affairs that have been built for some of our city banks during the past few years. If a bank should not have a business like appearance, I don't know what ought to." Again on April 16, 1910, "The Mechanics Bank of this city advertises that its deposits have increased from \$935,398.14 in 1908 to \$2,245,800.33 in 1910. The fact that this bank is now the city depository may have something to do with increased deposits." Again on February 17, 1912, "The Mechanics Bank goes into a new building on corner of Church and Center Streets on February 23, 1912. The vault is fitted up with 1,500 safe deposit boxes, 960 are for the use of The Merchantile Safe Deposit Company, an organization which has been in the same building as The Mechanics Bank for a great many years, but which is an entirely separate organization, founded in 1824."

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<sup>1</sup>Federal Reserve Bank, *Banking Studies* (Waverly Press, Inc., Baltimore, 1941), p. 419.





UNION & NEW HAVEN TRUST COMPANY





NEW HAVEN TRUST CO.



UNION TRUST CO.



HAMDEN BRANCH  
UNION & NEW HAVEN TRUST CO.

## THE UNION AND NEW HAVEN TRUST COMPANY

THE NEW HAVEN TRUST COMPANY, from its beginning in 1897 until 1903, was one of New Haven's smallest banking institutions. In 1903 it apparently took on a new lease of life and began to grow rapidly so that on March 4, 1907, it was accepted as a member of the New Haven Clearing House. The Trust Company was then operating on the ground floor at 40 Church Street, just south of the First National Bank. The Union Trust Company's deposits in 1907 had passed the million dollar mark. In 1909 plans were formulated for these two growing trust companies to consolidate. A merger agreement was completed on January 20, 1910, under the title of The Union and New Haven Trust Company. This new bank, which was later to become one of the strongest in the city, began its operations as The Union and New Haven Trust Company and on May 8, 1911, when its new building at 57 Church Street was completed. The change of title was approved by the General Assembly on May 23, 1911, using the New Haven Trust Company charter. The new trust company had eight persons on its working staff. Its capital was \$650,000 and the total resources at the time of the merger were over two and a half million dollars. In November 1925 the Trust Company purchased the land and building at the northeast corner of Elm and Church Streets from the Security Insurance Company and proceeded to erect a twelve story building, 225 feet in height, into which it moved on June 11, 1928. Overlooking the New Haven Green, this beautiful building is a fitting place for Connecticut's third largest trust company.

## THE WEST HAVEN BANK AND TRUST COMPANY

THE ORANGE BANK OF WEST HAVEN was granted a charter by the General Assembly on August 22, 1911. It opened for business in April 1912 with a capital of \$25,000. West Haven had been growing rapidly and there was a definite need for a bank in the business area. The charter provided for a savings and trust business as well as commercial banking. Watson S. Woodruff was elected the first president and George L. Moore treasurer. This bank changed its name to The West Haven Bank and Trust Company in September 1922 and operated at the southeast corner of Campbell Avenue and Main Street.

## THE BROADWAY BANK AND TRUST COMPANY

THE *Saturday Chronicle* on April 8, 1911, printed: "Business men all around this section are anxious to get a bank started. All along Broadway the storekeepers do more or less banking for their customers, cashing checks and other work which properly belongs to a bank, which takes too much of their time." The charter of The Broadway Bank and Trust Company was accepted by the General Assembly on April 4, 1911. The capital was to be \$100,000 and could be increased to \$500,000 without a revision of the charter. The bank opened for business on June 16, 1913, with John B. Kennedy as president and Henry M. Osborn as treasurer, and their statement of October 1st shows a paid in capital of \$84,800. By 1929 the capital had been increased to \$300,000 and surplus and undivided profit was \$269,000. The location of this bank was favorable, for this district around Yale University contained many stores and business houses, and it was very handy for students at the University.

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The Merchants National Bank was the first bank in the city to introduce Christmas Clubs. The following advertisement appeared in *The Saturday Chronicle* on March 15, 1913:

*Advertisement of The Merchants National Bank*

CHRISTMAS SAVINGS CLUB

which start March 17th, 1913

You May Join Monday, March 17th, or Any Day Thereafter

In Class 5—Pay 5 cents the first week, 10 cents the second week, 15 cents the third week, and so on for 38 weeks, and we will mail you a check two weeks before Christmas for \$37.05.

Or in Class 10—Pay 10 cents the first week, 20 cents the second week, 30 cents the third week, and so on for 38 weeks and we will mail you a check two weeks before Christmas for \$74.10.

Or in Class 100—Pay \$1.00 each week for 38 weeks, and two weeks before Christmas we will mail you a check for \$38.00.

You may Reverse the Order of Payments in Classes 5 and 10 if You Wish To Do So.

For instance, in Class 5, going up, starting with 5 cents and end with \$1.90. If you desire to do so, you may start with \$1.90 the first week and pay 5 cents less every week until the last payment will be 5 cents. In Class 10, going up, the payments start with 10 cents and end with \$3.80. If you desire to do so, you may start with \$3.80 the first week and pay 10 cents less every week until the last week's payment will be 10 cents.

You may join Class 5, going up, starting with 5 cents, and Class 5A, coming down, starting with \$1.90, which would give you a fixed weekly payment of \$1.95, giving you for 38 weeks payment \$74.10.

You may join Class 10, going up, starting with 10 cents, and Class 10A coming down, starting with \$3.80 which would give you a fixed weekly payment of \$3.90, giving you for 38 weeks payments \$148.20.

You may take five accounts in Class 100 (\$1.00 per week class), which would give you a fixed weekly payment of \$5.00 giving you for 38 weeks payments \$190.00.

This bank opened its savings department on December 15, 1914.



The National Savings Bank was the first of the mutual savings banks to open a Christmas Club department in November 1920. The Connecticut Savings Bank's Christmas Club started in December 1921 and the New Haven Savings Bank's in December 1924. The Connecticut Savings Bank was first to introduce Vacation Clubs on June 9, 1922, with the New Haven Savings Bank's Club opening in June 1924 and the National Savings Bank's on June 1, 1932. In the beginning, interest was paid on these deposits but later it was found that this form of savings was expensive to handle, and with lower income rates on bonds purchased with this short-term deposit money, the banks found that this department was operating at a loss. However, Christmas and Vacation Clubs are good advertising and eventually a large portion of this money returns to the bank in regular savings accounts. These clubs have taught many persons how to save, enabling these savers to accumulate enough to buy homes, cars, etc. Undoubtedly, they have helped for a savings community is a healthy and happy community and a better place to live.

On January 1, 1913, the Second National Bank increased its capital from \$500,000 to \$750,000 adding strength to this important and growing institution. A savings department was installed on November 1, 1918, as a convenience to its customers, and the following year a trust department was organized under capable management. Both of these new departments grew rapidly.

### THE AMERICAN BANK AND TRUST COMPANY

THE CHARTER for The American Bank and Trust Company was granted by the General Assembly on September 14, 1911, and called for a capital of \$100,000, with permission to open when \$75,000 had been raised. It also allowed for this amount to be increased to half a million dollars. In the 1913 session of the



Senate, two other bills were introduced to open banks in the vicinity in which The American Bank intended to operate. One was for a bank to be named The Grand Avenue Bank and Trust Company, and the other, The Bank and Trust Company of Fair Haven, both of which were referred to the banking committee. However, the bill for extension of time was granted to The American Bank and Trust Company and it opened its doors for business on December 22, 1914, on which day its first deposits were received. The first loan was also made on this opening date. By the end of the 24th business day, 562 accounts had been opened at the bank. Christmas and Holiday Clubs as well as Savings, Trust, Safe Deposit, certificates of deposit and commercial checking accounts were offered to the customers. Originally, the bank operated in an old residence on Ferry Street, just around the corner at Grand Avenue in Fair Haven. Business increased rapidly and a new modern building was built on the corner of Ferry Street and Grand Avenue, the northwest corner, into which the bank moved on August 28, 1916. The building was enlarged in 1926, taking in the property originally occupied. The location is ideal for this suburban bank as it is in the center of a long business district. It also serves the community of East Haven, as it is easily reached, and parking facilities are better than at the down-town banks.

Myron R. Durham was the bank's first president, and Arthur D. Mullen the first treasurer. In 1935 Frank B. Nichols became president upon the death of Mr. Durham. By 1919 deposits had passed the million dollar mark and in 1923 this amount doubled. In 1923 also, the earned surplus of the bank exceeded its capital of \$100,000.

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At the 1913 session of the Connecticut Senate, bills were introduced for the establishment of "The Exchange Bank and Trust Company of New Haven," and "The Savin Rock Bank and Trust Company."

THE NEW HAVEN BANK NATIONAL BANKING  
ASSOCIATION

IN 1913 the City Bank, The New Haven County National Bank and The National New Haven Bank's directors voted that they would combine if the stockholders of these three institutions, would consent. The consolidation agreement dated January 28, 1914, was submitted to the stockholders. Approval was given and a new building was erected on the site occupied by the National New Haven Bank (The National New Haven Bank moved into temporary quarters just east of the old John E. Bassett Company building). The par value of the New Haven County Bank stock at the time was \$10 a share while the other two banks were \$100 a share. Ten shares of the County Bank entitled the holder to one share of the new bank. The shares of new stock were transferred on September 27, 1915, and the cashier of the consolidated bank was granted permission to sell or purchase fractional shares at the rate of \$210 a share.

The consolidation took place as of August 28, 1915, to form the New Haven Bank National Banking Association, the largest bank in the state with a capital of \$1,200,000; a surplus of \$1,200,000; undivided profits of \$120,000, and deposits of \$4,200,000; the New Haven Bank contributing \$1,500,000, the City Bank nearly \$1,000,000, and the County Bank \$1,700,000 of deposits. Outstanding currency in circulation from the New Haven Bank totaled \$449,700, and from the County Bank, \$244,300; total resources were \$7,922,775.66; loans were \$4,200,000.

At the time of the consolidation a new statement system was installed releasing the tellers of the necessity of proving pass books. Three Boston Ledgers were needed with 700 accounts to the ledger besides three inactive ledgers of 300 accounts each. An Ellis adding typewriter was purchased to speed the transit work, for the bank and many correspondent bank accounts.

Trust powers were granted to the bank in 1921 and the first account was accepted on April 19, 1923. This #1 account is still being administered by the bank at the time of this writing, 23 years later. Prudent investing, safety, and careful management at a reasonable rate are primarily responsible for the growth this department has made in its 23 years of operation. The New Haven Bank has never operated a savings department.

During the first World War the local banks did a commendable job of selling war bonds and stamps to the public under the direction of the New Haven Clearing House, which assumed the responsibility for the organization of the local Liberty War Loan committee. The banks individually, and as a group, spent many hundreds of dollars on advertising during and between the five war loan drives. The Merchants National Bank offered to the public war bond accounts where \$1 a week would buy a \$50 bond in 50 weeks. The local banks voted to keep open on October 12, 1918, Columbus Day, from 10:00 A. M. to 4:00 P. M. and from 7:00 to 9:00 P. M. or after for the purpose of selling war bonds to the public.

## FIRST NATIONAL BANK—YALE NATIONAL BANK MERGER

ON FEBRUARY 25, 1916, a consolidation agreement was sent to the stockholders of the First National Bank and the Yale National Bank for their approval. The agreement stipulated that the First National Bank would acquire the assets and liabilities of the Yale National Bank and that the present location of the First National Bank would be the location of the consolidated bank. The building occupied by the First National Bank was then in the hands of the Bank Building Company and title was to be taken by the consolidated banks. The agreement was accepted by both banks' stock-

holders and the consolidation was consummated on January 1, 1918. The capital of each bank was \$500,000 and the agreement was on a share for share basis, so that the new capital of the First National Bank was now to be one million dollars. Deposits at that time totaled over six million dollars.

The Yale National Bank had been founded in 1853 as The Quinniack Bank. The Yale National Bank had opened a savings department on April 16, 1913, so that the merger resulted in the First National's inheriting a new department. This savings department has grown rapidly, adding several millions of dollars to deposits of the bank.

The war time act of June 21, 1917, designed to induce more state banks to join the National Bank System permitted state banks with trust powers to retain these powers upon admittance to the system. Another act on September 26, 1918, amended the Federal Reserve Act to permit national banks to enter into the trust field.

The First National Bank of New Haven was the first national bank in the city to take advantage of this opportunity and opened a trust department in 1918. The growth of this new department was rapid under capable management so that on July 2, 1928, the bank changed its name to The First National Bank and Trust Company. As deposits and loans increased, this bank in 1929 increased both its capital and surplus from \$1,050,000 to \$1,260,000 as an added protection to its depositors.

This bank was the first in the city to realize that automobile loans and small installment loans could be handled profitably and so opened a personal loan department in December, 1926. This department grew rapidly as customers learned that they could borrow money at banks at a lower rate of interest than they could from finance companies. (In 1929 New Haven had fifty-two small loan companies licensed by the state, as well as quite a number of automobile finance companies.) This bank was also the first in the city to install a night depository.

## THE NEW HAVEN CLEARING HOUSE ASSOCIATION

THE NEW HAVEN CLEARING HOUSE ASSOCIATION voted on November 17, 1920, to adopt a series of fines against members. Fines were from one to three dollars for making errors or being late at meetings; five dollars if a member was not represented at each daily meeting; two dollars for disorderly conduct or disregard for the managers' instructions. One of the more important functions of the Clearing House is the distribution of the preceding day's checks taken in on deposit and drawn on the other banks in the city. Each bank makes a separate machine list of the checks drawn on each of the other member banks and these bundles of checks are exchanged each morning. On a heavy day, some of these bundles contain several hundred checks and may be stacked in piles three or four inches high. Usually the runner of the bank (just out of high school) attends the meetings. Several of the senior bankers of today tell of the pranks of the other bank runners of their day. In gently (?) handing these bundles of checks to each other they have accidentally flown through the open window to the street four stories below. Undoubtedly, this poor pitching or perhaps poorer catching resulted in the Clearing House's obtaining sizeable sums in the form of fines.

## AMERICAN INSTITUTE OF BANKING

ON OCTOBER 7, 1915, a large group of the leading bankers in New Haven, Ansonia, Derby, Milford and Wallingford met at the Chamber of Commerce Building for the purpose of considering the formation of the New Haven Chapter of the American Institute of Banking. "Uncle" George Allen, national educational director, came from New York City to explain the workings and objects of this educational organization. A chapter was formed with W. Perry Curtiss as the first president. Other officers were elected on



October 13th. The first class was held in Hendrie Hall with Professor J. W. Edgerton as the instructor and 115 students in attendance. Annual dues of the chapter were fixed at three dollars and have remained so ever since. This chapter includes all the towns and cities from the lower Naugatuck Valley to Essex.

Yale University has been most coöperative and deserves a great deal of praise for its assistance in allowing many of the classes to be held in the University's class-rooms. Instructors have been chosen from the faculty of the University as well as prominent lawyers and experienced bank officers. The courses of study include Banking Fundamentals, Accounting, Trusts, Savings, Negotiable Instruments, Economics and Commercial Law. The officers of the chapter have been in almost every instance, the aggressive junior officers of the banks. The past presidents listed in the closing pages of this book, are men who have risen or are rising to the highest positions in their banks.

Realizing the advantage of the educational program of the American Institute of Banking, the Clearing House Association voted in October 1921 to encourage and back it financially. From time to time the records show that this association, through its member banks, were heartily in favor of higher education among their employees, and have never failed to support this program. Most of the banks' officers have taken the courses and have been graduated from the local chapter, and nearly all of the newly made officers are graduates.

That senior bankers realize the importance of this educational organization was shown when William G. Redfield, former president of The New Haven Bank N. B. A., died and left a gift of \$1,000 to the local chapter.

Following the close of the first world war many of the local people had an abundance of idle money and believed that a safe and profitable place for investment could be found in new bank stock. State bank charters were comparatively easy to procure. Loans

were difficult to obtain as good times set in and many loans had to be refused by banks because of the lack of capital and loanable funds. Junior officers were interested in opening their own banks and were actively seeking new jobs in new financial institutions. All this led to the chartering of 7 new banks in and around New Haven between 1921 and 1931.

### THE CITIZENS BANK AND TRUST COMPANY

A CHARTER WAS granted for The Citizens Bank and Trust Company by the Connecticut Legislature on April 5, 1897. Either there was no need then for another new bank or the necessary capital was not forthcoming, for the charter remained unused. In 1921 interest was revived and using this old charter, The Citizens Bank and Trust Company organized and opened for business on Monday, February 7, 1921, with a capital of \$100,000. By the 21st of that month the bank's first published statement showed a surplus of \$1,160.62. This bank first operated in a building in the rear of the east side of The Connecticut Savings Bank on Crown Street. In 1924 they moved into the old Tradesmen's Bank building on Orange Street between Chapel and Center Streets. Clarence B. Dann, a former carriage manufacturer, was the bank's first president and Fred B. Holt its treasurer.

### THE CONGRESS BANK AND TRUST COMPANY

FOR MANY YEARS the firm of Adler, Salzman and Adler, private bankers, operated successfully at 51 Congress Avenue, corner of Commerce Street. They were known as the "A. S. A." Bank and used this heading on their commercial checking account checks. In July 1923 they incorporated as The Congress Bank and Trust Company and officially opened under that name on the first working day of September 1923 with a capital of \$100,000. Henry Salzman was the first president of the Congress Bank and Trust Company,

and Edward M. Hastings the first treasurer. Your writer has a vivid remembrance of this bank for it was in a business area where many of its customers issued small notes payable at that bank and nearly every day it was necessary to make two trips to the bank to present the notes for collection. This seemed like a long walk on a hot summer day for a new bank runner! Soon after the Union and New Haven Trust Company moved into its new building in 1928 the Congress Bank and Trust Company purchased and moved into the old Trust Building on Church Street between Center and Crown Streets.

#### THE HOME BANK AND TRUST COMPANY

THE HOME BANK AND TRUST COMPANY of West Haven opened its doors on April 3, 1924, at 574 Campbell Avenue, West Haven, starting with a capital of \$50,000. This town already had one bank and there seemed to be no need for a new one. Rumors at the time of opening gave political reasons as the excuse. William L. Larash was elected president and Thomas E. Prescott treasurer. Total trust funds of the bank were \$633.78 on August 20, 1929, according to the Bank Commissioner's Report of that year.

#### THE HAMDEN BANK AND TRUST COMPANY

THE HAMDEN BANK AND TRUST COMPANY incorporated in 1924 and opened for business in 1925 with a capital of \$50,000. Walter T. Kenyon was elected president and Thomas H. Robb treasurer. The bank operated at 862 Dixwell Avenue between Alling and Easton Streets, and later moved into its new building at 1220 Dixwell Avenue, corner Circular Avenue, the heart of the Hamden business district. Hamden had been growing rapidly and several large factories had previously been established in this area as well as many stores and a theatre.

## THE EAST HAVEN BANK AND TRUST COMPANY

THE EAST HAVEN BANK AND TRUST COMPANY opened for business on Saturday night, November 9, 1929, to serve the growing needs of East Haven townspeople. Although the town had no factories, many stores lined the Main Street and hundreds of people found it more convenient to have a place in town where they could deposit or borrow money. Many new homes were being built and there was a need for mortgage lending. The stockholders held their first meeting on July 23, 1929, in the Town Hall. This was followed immediately by the first directors' meeting on which date they voted The First National Bank and Trust Company of New Haven as their depository. In the first three days of operation 142 persons opened accounts.

Henry H. Bradley, one of East Haven's finest citizens, was elected president and Harry B. Howard treasurer. The bank opened in a newly constructed building on the northwest corner of Main and High Streets directly across from the Old Stone Church and diagonally across from the Town Hall. Mr. Bradley recalls a rather exciting incident when two gypsy ladies entered the bank one noon when there were only three of the employees of the bank on duty. The treasurer was counting bills at one of the teller's windows, when one of the gypsies reached far over the counter and grabbed his hand palming a few bills. The treasurer immediately stepped on the burglar alarm which rang across the street in the Police Department. The police responded quickly and caught the gypsies before they could leave. When the cash was balanced, it was found eighty dollars short and the bank, through the police, recovered the missing bills.

## THE COMMUNITY BANK AND TRUST COMPANY

THE COLUMBUS BANK & TRUST COMPANY incorporated and opened for business in 1930 at 125 Columbus Avenue to serve the large Italian population of the city. The capital was set at \$100,000 and Anthony J. Verdi was elected president and Michael Franco the treasurer. This bank took over the business of the private banking company of Gennaro Franco & Sons.

On May 29, 1931, the Community Bank and Trust Company was incorporated as a state bank with a capital of \$100,000, surplus of \$25,000, general assets of \$606,000 assuming the business of the private banking firm of Pallotti Andretta & Company. The first president was A. Rosario Giaimo and the first treasurer Francis Rossi. In that year, it also absorbed the business of The Sons of Italy Industrial Bank. In October 29, 1932, it acquired the business of the Columbus Bank which had incorporated two years before and operated at the corner of Columbus Avenue and Water Street.

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The Westville Bank & Trust Company was in the process of organization in 1930 but the depression had begun and plans were dropped.

Noting the population in 1900 of 108,027; in 1910 of 133,605; in 1920 of 162,537; in 1930 of 162,655, it would seem that the city now had an over-abundance of banks even though it was not out of step with the rest of the United States.

During the years between 1922 and 1929, the United States engaged in one of the greatest periods of prosperity the county had yet seen. Business boomed and every man who wanted to work had a job. Wages and salaries were high and there was an abundance of money to speculate with. Corporations paid high dividends which attracted everyone, apparently, to invest in the market.



Stock prices rose daily, dividends were increased, holding companies were formed to help people "get rich quick" and every one made money. There were no restrictions on loaning money for stock market speculation and too many people borrowed to the limit on the stocks then held to purchase more. Brokers' loans were high and paid 6% interest. One didn't have to have a knowledge of the stock market—all one had to do was to buy a stock one day and sell it a day or week later and so one made money. The one bad feature was that perhaps some day the market might go down, but few people, evidently, believed that it would.

The appearance of "wild cat stocks" on the market by 1923 was given serious consideration by the heads of the local banks. In fact, so much so, that they subscribed to the Business Security and Service, Inc., of Boston, Massachusetts, a service devoted to educating the public on investments. Meetings were held by local bankers and efforts were made to inform the public of the danger in purchasing these stocks, and the local banks offered their customers the free use of this service. The following year the local Chamber of Commerce took active part in this educational program.

We should note here that between 1920 and 1929 there were in the United States, 3,649 bank mergers involving 6,829 banks; during the same period, 773 national and 4,781 state banks were suspended.<sup>2</sup>

The Bank Commissioner's Report of state banks in 1929 shows that all of the savings and commercial banks in New Haven were paying 4½% on savings deposits. This was the largest rate paid in this city in recent years, but this rate was in line with savings banks throughout the country. Their bond portfolio contained bonds paying from 3.5% to 7% interest and most of the banks had fair holdings of bank stocks. This report lists the local state banks on September 30, 1929, as follows:

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<sup>2</sup>*Banking Studies*, p. 419.

TABLE 2

CAPITAL ACCOUNTS AND TOTAL ASSETS OF  
STATE BANKS

1929

in thousands of dollars

NAME	CAPITAL	SURPLUS AND U. P.	ASSETS AND LIABILITIES
American	100	575	3,687
Broadway	300	269	4,584
Citizens	140	46	1,843
Congress	500	306	3,179
Home	50	106	1,221
Mechanics	300	1,458	21,664
Union & N. H.	1,458	2,096	16,248
West Haven	100	143	2,927

This city's banks were evidently on the royal road to prosperity. As loans were plentiful, competition for deposits was much in evidence. Rivalry to be known as the city's largest bank was keen between the Mechanics and the First National Banks particularly. Bids for the city's funds almost always went to the Mechanics Bank for they were willing to pay 4% interest for them, while bids of the other banks were usually 3%. Most of the banks issued demand certificates of deposit with 4% interest. Interest was paid to all large commercial depositors at the common rate of 2%.

All of the bookkeeping, letter writing, records, etc., was recorded by hand up to the closing years of the 1800's and the records of the local banks reveal all types of handwriting, some poor, but the majority beautiful and easily readable. Typewriters, invented in 1876, and adding machines had improved so well that between 1895 and 1900 the local banks purchased their first machines to speed up operations. Statement machines were purchased by the New Haven banks about 1917 and bookkeeping machines about three years later.

Boston ledgers had been used for many years but this method was slow and expensive. Checking accounts in the 1800's were used primarily by business houses and business men. It was in the early 1900's that individuals realized the advantages of paying bills by check and large amounts of checks began to take the place of cash transactions. It is said that bankers were among the first to realize that mass production was the "American way of life" and the machine age was readily received by banks throughout the country.

The banks as well as most of the business houses closed their doors from 9:00 to 10:00 A. M. on Saturday, January 24, 1925, to allow their employees to witness the total eclipse.

## CHAPTER VI

# THREE HECTIC YEARS IN BANKING HISTORY

1930 - 1933

NEW HAVEN'S banking history was most impressive up to 1930. The city had had only three bank failures in 135 years of banking; the Eagle Bank in 1825, the Savings Bank of New Haven in 1825, and the Townsend Savings Bank in 1874. This was a remarkable achievement for any city, when we read in other histories of the large number of failures in banks throughout the country. Country-wide bank failures averaged 62 a year from 1892 to 1920, and 555 a year from 1921 through 1929, with 1,292 in 1930, 2,213 in 1931, 1,416 in 1932, and 2,891 in 1933.<sup>1</sup>

Then came a period of sorrow for local banks as well as those throughout the country. People out of work had to use money they had accumulated during years of prosperity. Then too, following the nation's largest stock market crash to date, dividends were reduced by most corporations. The real estate market took a tremendous drop and participation mortgages stopped interest payments. Two of New Haven's leading mortgage companies were forced out of business. Savings banks which had been paying 5% on savings were forced to reduce interest payments. Savings departments had to call in mortgages as interest payments were not met and foreclosed on many homes.

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<sup>1</sup>Federal Reserve Bank, *Banking Studies* (Waverly Press, Inc., Baltimore, 1941), compiled by the writer from page 419.

Specie payment which had not been suspended since 1857 and which had been stabilized by the National Banking Act of 1863 might have been suspended at this time, but was not. People became panicky and withdrawals of cash were large from all the banks of the city. Rumors spread that this or that bank was in trouble and runs started. Actually, bank statements showed most of the banks were in good condition, but with small cash reserves, and could have weathered a moderate storm well. However, this was no moderate storm as far as the public were concerned.

The first bank in New Haven to fall by the wayside was the Citizens Bank and Trust Company. They were forced into receivership on December 9, 1930. Matthew A. Reynolds was appointed receiver on December 27. Their resources totaled \$1,843,197 on September 30, 1929, and \$1,543,629 on September 24, 1930. At the time of closing, liabilities were \$1,116,934.86 and the court appraisal totaled \$965,795.09.

On March 28, 1931, the West Haven Bank and Trust Company took over the business of the Home Bank, which, in the writer's opinion, should have never opened, as a town the size of West Haven needed only one good bank to handle its business. The Home Bank's assets on March 25, 1931, totaled \$1,414,577.

On December 17, 1931, the Hamden Bank and Trust Company went into receivership with liabilities of \$1,477,008.41 and the court appraisal total of \$1,057,735.34. The way this bank had grown during its early years shows that the town of Hamden needed a bank. It was in a good business neighborhood and if it had not been the victim of a run might have continued in business indefinitely. Thomas J. Ryan was appointed receiver on December 19, 1931.

On December 23, 1931, both the West Haven Bank and Trust Company and the Broadway Bank and Trust Company closed. The older of the two, the West Haven Bank, was 19 years old and had been managed in a conservative manner. Its total liabilities at the time of closing were \$2,744,440.01 and the court appraisal



figures were \$2,520,455.98. West Haven customers should have been proud of their bank; it had a fine record and had plenty of good assets to carry it through almost any period, and if the bank holiday had come early in 1931, this institution would still be in business. The New Haven Bank N. B. A. was appointed temporary receiver for the West Haven Bank on December 29. The Broadway Bank was 18 years old. Its last call statement on September 25, 1931, showed assets and liabilities of \$3,606,347. A few years before, it had been a five million dollar bank and had made a place for itself in a good business area. The First National Bank was appointed receiver on December 29, 1931.

The Congress Bank and Trust Company, with assets of \$2,374,148 on December 31, 1931, was absorbed by the Union and New Haven Trust Company on January 9, 1932, and it paid dollar for dollar for deposits. In 1929, the Congress Bank had \$312,000 tied up in its building and furniture, more than enough to consume its entire surplus and undivided profits accounts. A letter to the stockholders of the Union and New Haven Trust Company on January 6, 1932, stated that it took over the assets of the Congress Bank except some mortgages and real estate at the request of the Congress Bank Directors, and also that the remaining banks in New Haven would assume whatever loss the Trust Company would have by paying dollar for dollar to depositors.

On March 1, 1932, the First National Bank & Trust Company took over the East Haven Bank & Trust Company which had opened in 1929. The small bank had just opened when the depression hit. Although its deposit growth was rapid and it had accumulated over 1,000 savings accounts and made over 1,200 loans in two years, it was doomed from the start. The directors did everything in their power to aid the bank to survive and twice added their own personal funds. They voted on February 24, 1932, that to insure no loss to depositors and creditors, it would be better to conserve the assets of the bank by accepting a liquidating agreement

with the First National Bank of New Haven rather than the expense and delay of receivership. Depositors were paid in full, the loss being shared by the First National Bank, and the East Haven Bank's directors. Probably the greatest factor in this bank closing was the slump in the bond market for many of the banks holdings of high grade bonds had to be sold at a loss. There is no doubt, in the writer's mind, that this bank was capably managed. Total resources on December 31, 1931, were \$237,971.

The failure of the Mechanics Bank on June 9, 1932, was the biggest blow to the city's financial history since the Eagle Bank's failure of 1825. It was, at the time, the second largest bank in the city with deposits of \$16,749,000 and total resources of \$20,629,600 on December 31, 1931. Capital was \$300,000 and surplus \$1,400,000. On June 8th a run on this bank caused \$750,000 in cash to be withdrawn. During the previous two months 5 million dollars had been withdrawn. One of the local papers summarized this as "Thoughtless gossip of people." It is interesting to note that the capital structure of this bank was \$1 to \$11.50 of deposits and that loans amounted to ten times its capital structure. Its dividends for many years were the largest in the city, paying \$19.20 a share yearly on a par value of \$60. The City of New Haven was its largest depositor at the time of the crash with deposits of \$1,918,840. With all of its funds tied up in one bank, the city was under a terrific handicap when pay-days rolled around. The appraised value of the bank after its failure was \$12,138,834, with deposits and other liabilities of \$15,770,012. In an attempt to stop runs on the Mechanics Bank, the Mayor, clergymen and many popular citizens pleaded in vain. James E. Wheeler was appointed receiver on June 21st.

During the run on Mechanics Bank, just before the bank closed, an interesting incident occurred. A customer withdrew from his savings account \$9,000 which he received in small bills, mostly mutilated ones, making a large package. As he approached the door where a large crowd had gathered, he became panicky, afraid that

they would take his money from him. By the time he had decided not to take the cash with him, the savings window had closed, so he took the \$9,000 to the commercial window and deposited it there. If he had left his money in savings, he would have received in dividends \$7,200 to date instead of the \$3,600 he has received from dividends in the commercial department.

One run on the New Haven Savings Bank in 1932 had an interesting ending. The lobby had been filled with people all morning and withdrawals had been quite heavy because a rumor had been spread through the city. By noon a long line had formed outside. Mr. Stirling, one of the officers of the bank, thinking that the customers might be getting hungry, sent out for a large number of doughnuts and five gallons of coffee which he set on a table in the lobby. Then he announced to the customers that they were free and might tide them over until they could be waited on. With that, an old Irish woman piped up, "Don't think you can fool us! We want our money" The manner in which she said it caused many of the customers to laugh, and the spell was broken. Before long, the doughnuts and coffee were gone, and so were the customers, and thus was halted a perfectly good run!

Why there were runs in the three mutual savings banks is rather hard for any banker or accountant to understand. Their combined deposits on September 30, 1929, totaled 64½ million dollars; surplus undivided profits totaled 8½ million dollars. In plain English they could have paid out \$1.13 for every dollar on deposit. Besides this, they had 5 cents more per deposit dollar accumulated on the difference between the par value of bonds and their book values. Bank statements are available to the depositor at any time. Savings banks like any other business cannot sell all their assets on short notice. Savings banks deposits must be invested in mortgages and long term bonds so that a maximum amount of interest can be collected to pay expenses and pay interest to depositors. These figures show that the runs these banks experienced were unfounded and silly.





AMERICAN BANK & TRUST COMPANY



EAST HAVEN BANK & TRUST COMPANY



WEST HAVEN BRANCH  
FIRST NATIONAL BANK & TRUST COMPANY



COMMUNITY BANK & TRUST COMPANY



The National Traders Bank closed its doors for the protection of its depositors on June 9, 1932. It opened again one year later. Total resources on December 31, 1931, were \$5,804,162. The Savings Department of this bank opened in February, 1923.

The First National Bank and Trust Company absorbed the business of the Merchants National Bank, whose total resources were \$10,153,539, with deposits of \$6,218,372, on June 27, 1932. The First National Bank, having taken over the Yale Bank in 1918, the East Haven and Merchants Banks in 1932, is now the largest commercial bank in the city.

Because of the large withdrawals of currency during this period of panic in 1933, the Merchants Bank vault was used as a storehouse for currency as a subtreasury. Warren M. Crawford, cashier of the First National Bank, was appointed to supervise withdrawals.

All this left the city with six commercial banks, the American, Community, First National, Second National, New Haven, and Union and New Haven Trust, to weather the storm, or may we call it a hurricane. The city's three mutual savings banks also survived, but not without a struggle. Working days during January and February 1933 were trying ones to all bankers as well as business men. Friday and Saturday, March 3 and 4, 1933, were nightmares throughout the country, but the nation was given a breathing spell by the President of the United States declaring a bank holiday, starting March 6, 1933.

Around 1932, banks throughout the country began to realize that the photographing of checks and statements had a definite place in banking for the protection of both the customers and the banks. The local banks were among the first to hire Recordak machines for photography. Bank records must be kept for many years, and by photographing them, the amount of storage space needed has been reduced. Then too, photography has been a great help to law-enforcing agencies, and banks have done their part in making America a law abiding country.

## CHAPTER VII

# THE GROWTH OF THE TEN SURVIVORS

1933 - 1946

**D**URING THE BANK HOLIDAY period, banks were allowed to cash checks up to ten dollars if the money was to be used for medicine or food, and it is surprising how few checks were cashed. Evidently the public had all the cash they needed on hand. These days will always be remembered by bank clerks who came to work each day at the usual time. During the period, they found time to do jobs that they had been too busy to do during the past years. Having passed through one of the worst crises in American financial history, they were deserving of a rest. Bank officers were busy, preparing reports for the comptroller of currency and bank examiners or for the state bank commissioner.

On Sunday night, March 12, 1933, at ten o'clock, President Roosevelt announced over the radio that all sound banks would open progressively on the 13th, 14th and 15th. The six commercial banks and the three mutual savings banks of New Haven opened their doors on Tuesday, March 14. The deposits of the First National Bank and Trust Company and the New Haven Bank N. B. A. each increased over a million dollars on the opening day, showing that the confidence of the people of New Haven had been restored. A depositors' committee tried hard to re-open the Mechanics Bank, but were unable to do so.

With the reopening of the sound banks in 1933, all local commercial banks joined the Federal Deposit Insurance Corporation which guarantees deposits up to \$5,000. The three savings banks joined the Savings Bank's Deposit Guaranty Fund of Connecticut, Inc., which insures deposits in full.

As the need for currency arose, the New Haven Clearing House Association had printed at the American Bank Note Company \$5,000,000 in script certificates in one, five, and ten dollar denominations. These bills were guaranteed by the New Haven Clearing House whose members were the First National Bank, New Haven Bank, Second National Bank and the Union and New Haven Trust Company and signed by William G. Redfield as president. They were dated March 7, 1933, and payable on demand 90 days after date with the provision that they could be renewed once for 90 days more. These certificates were void after January 1, 1935. They were to be distributed to the four clearing house member banks, who in turn had to deposit securities as collateral with the Clearing House Association. The bank holiday eliminated the necessity of using this currency. Eleven sets were sold to prominent New Haven bankers and three sets given to historic institutions. On August 22, 1933, the rest of the notes, totaling \$4,995,200, were burned at the Union and New Haven Trust Company.

The Tradesmens National Bank reopened on June 15, 1933, with a capital of \$350,000; \$150,000 in common stock, \$200,000 in preferred Reconstruction Finance Corporation Stock; and \$50,000 in surplus. During their period of closing, total expenses averaged  $4\frac{1}{4}\%$  of total assets or about the normal expense of a bank, showing the efficiency of operation during the adjustment period. The new Common stock sold at \$135 a share. The total resources at the time of reopening were \$2,485,184. Foreseeing a future in modernization loans, this bank made full use of the Federal Housing Administration's plans. Loans of this type have totaled more than \$800,000 on over 2,000 homes.

The Tradesmens National Bank received deposits under the "Check Master" plan in March 1941. This plan allows customers to have a checking account with an initial deposit as little as \$1.00. Service charges are five cents for each check drawn and each item deposited. Statements are rendered every 3 months for which a charge of 25¢ is made to cover costs of preparing and mailing statements and cancelled checks. By August 1945 over 11,150 of these accounts had been opened by the bank. In 1944, this bank increased its common stock to \$350,000. This bank has grown rapidly during the past 12 years and it was necessary to move to a larger building at 181 Church Street in 1944. A dividend of \$1.00 a share was paid in June 2, 1945.

The President of the United States on January 31, 1934, reduced the gold content of the dollar from  $25\frac{8}{10}$  to  $15\frac{5}{21}$  grains of gold nine-tenths fine, thus raising the price of gold from \$20.67 to \$35 an ounce. This followed the executive order which made it unlawful for individuals and banks to hold gold or gold certificates after March 9, 1933. The American dollar was then supposed to be worth fifty-nine cents, but as Stuart Chase writes in his book, *Where's The Money Coming From?* "Five-cent cigars still sold for a nickel." Local bank tellers were busy during 1933 accepting gold for deposit and redemption. An article in the *New Haven Register*, Saturday, March 11, 1933, stated that over \$100,000 in hoarded gold was returned to banks in the city. The largest single hoarder brought in \$58,000 in one lump. The tellers had previously been requested to list all known gold hoarders and be prepared to publish their names as soon as possible after March 13. The response of the citizens to the president's request was so well received that publication of the list was not necessary.

In the early '30s, banks throughout the country began to realize that all small and many large checking accounts were actually costing the banks large amounts of money to maintain, and so in 1931, the city's banks opened analysis departments to find out what this loss

amounted to. The results were amazing, and soon after most of the banks set minimum balance requirements at \$200 a month, or a dollar for service would be charged monthly. Analysis of accounts in the beginning was crude in comparison with present day methods, but this was a new venture in the right direction. Interest had been paid upon large commercial accounts up until the bank holiday when government regulations prohibited this practice.

During the depression many New Haven citizens, finding themselves short of cash, found their life insurance policies an "angel from heaven." Rather than canceling their insurance and receiving the cash surrender value, they found that the local banks would loan up to 90% of this amount using the policy as collateral. Although insurance companies will lend money to policy holders most of the companies prefer that the policy holders borrow from banks. The low interest rate charged by the banks has enabled many persons to retain their policies. Savings by buying life insurance during prosperous years has helped many a person to weather the depression that eventually follows. This type of loan is beneficial to both the borrower and the bank.

The Second National Bank on December 27, 1933, reduced its capital from \$750,000 to \$375,000 by voluntary surrender of one-half of its par value and then raised \$375,000 in common stock by subscription, bringing its capital back to \$750,000. The American Bank and Trust Company sold to the Reconstruction Finance Corporation \$150,000 in preferred stock and the Community Bank and Trust Company sold \$50,000. Dividends continued in the Second National and American Banks without interruption; the American paying \$4 a share per year since 1933; the Second National, at the present time, paying \$3 a share or 6% on a \$50 par value.

On May 29, 1934, the First National Bank and Trust Company authorized \$630,000 in prior preferred stock and \$920,000 in convertible preferred which was purchased by the Reconstruction Finance Corporation. This bank had paid continuous dividends



from 1869 to 1933, which were omitted from 1933 to 1936. In 1937, they resumed dividends at the rate of fifty cents semi-annually along with a 20% stock dividend. On May 29, 1944, the following news item appeared in the *New Haven Register*:

"FIRST NATIONAL STOCK PLAN IS APPROVED

*"Increasing of Common to \$2,205,000 Voted at Special Meeting*

"Common and preferred stockholders of the First National Bank and Trust Company, 42 Church Street, at a special meeting yesterday, voted to approve a plan to increase the common stock to \$2,205,000 by the sale of 18,900 shares at \$53 per share. This plan was recommended by the Board of Directors in a notice sent to stockholders on May 17.

"The plan provides that holders of common stock of record at the close of business on May 26 will be entitled to subscribe to the new shares in the ratio of three new shares for each four shares held. The rights will expire June 6. Preferred stockholders of record on June 6 will be entitled to subscribe on a pro rata basis to such new shares of Common Stock as have not been subscribed for by holders of common stock. These rights will expire on June 16. This offering of additional shares, to be made first to common stockholders and then to preferred stockholders, will be underwritten by a group of Connecticut investment bankers.

"This action is part of a program for the elimination of the two classes of senior shares which were issued in 1934 to provide additional capital funds in the amount of \$1,780,000. At that time, the bank issued \$630,000 of prior preferred stock which was sold at the par value of \$100 per share and \$920,000 of \$100 par convertible preferred stock, which was sold at \$125 a share. It was the intention at that time to retire these senior capital issues as rapidly as possible through the issuance of common stock and thus return to the traditional form of bank capitalization, that is, a single class of shares with no preference.

"Substantial progress has already been made toward this objective a First National official said. In the years 1936-1941 inclusive, the entire issue of \$630,000 prior preferred stock was retired at par in several installments. This was made possible by the accumulation of earnings not distributed as dividends. As the prior preferred stock was retired, the common stock was increased in corresponding amounts through the declaration of stock dividends.

"Upon completion of the proposed changes, the capital stock of the bank will consist solely of 44,100 shares of Common Stock, and hence a much larger portion of the bank's earnings may be disbursed to Common shareholders. At a recent meeting of the directors, a semi-annual dividend of \$1.25 per share on the common stock was declared, thus placing the stock on a \$2.50 annual dividend basis."

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The Union and New Haven Trust Company had been paying dividends of 6% since 1911; these were discontinued during 1934-35 and were resumed again in 1936, paying one dollar quarterly or 4% yearly. In 1945 the rate was increased to 5%.

On October 13, 1934, the New Haven Bank N. B. A. reduced its capital from \$1,600,000 to \$800,000 by reducing the par value of common stock from \$100 to \$50 per share, and sold \$200,000 in preferred stock to its stockholders, customers and employees. New shares were issued on October 13, 1934, and by 1936 this preferred stock was retired. This bank had paid dividends each year for 136 years since 1797; dividends were omitted during '34 and '35, but were resumed again in '36, paying one dollar a share semi-annually. In 1939, a dollar a year more was added, so that it now pays 6% on a \$50 par value.

On March 11, 1935, the United States Government called in the last issue of bonds bearing the circulation privilege.<sup>1</sup> National banks

<sup>1</sup>United States Treasury, *Summary History of United States Money*, 1937, p. 41.

then had to deposit lawful money with the United States Treasury equal to the amount of their liability on outstanding notes, and from then on, these banks were no longer responsible for payment. The New Haven Bank N. B. A. had \$200,000 still outstanding on April 3, 1935, and on April 4 remittance was made to the United States Treasury. The First National Bank turned over \$630,000 to the government on March 22, 1935, and the Tradesmens National Bank \$170,000 on April 15, 1935. The Second National Bank had previously remitted their obligations of \$750,000 in the early months of 1925.

The outstanding circulation of local banks on various dates were as follows:<sup>2</sup>

February	13, 1900	\$1,359,510
November	12, 1906	2,084,800
December	3, 1907	1,806,700
September	1, 1910	1,577,297
December	15, 1915	2,281,800
December	29, 1920	2,251,697.50 <sup>3</sup>
March	4, 1935	1,000,000

The American Bank and Trust Company, in 1934, opened its personal loan department. The location of this bank is ideal for this type of business, rendering a service to the community and a new source of revenue to the bank. In March, 1940, a "Special checking account" service was inaugurated. This system, developed by the officers of the bank, allows an individual to maintain a checking account without a minimum balance. The only charge is that of \$2 for a book of 20 checks. No charges are made for deposits or statements. The bank also issues Bank Money Orders at a cost of 15¢ for the first hundred dollars and 10¢ for each additional \$100. When this bank's safe deposit boxes were all rented and many customers were looking for a safe place to keep their war bonds, the

<sup>2</sup>Figures compiled by writer from published bank statements.

<sup>3</sup>Evidently some local bank paid out \$2.50 for half of a \$5 bill.

officers decided to accept for safekeeping these bonds. Bonds are listed and placed in envelopes in the bank's fire and burglar proof vault at the small cost of 10¢ a bond. It would seem that this bank is rendering a complete banking service to its Fair Haven customers at a very reasonable rate.

The first branch in New Haven history was opened in West Haven by the First National Bank and Trust Company in November 1936. West Haven had been without a bank for five years, causing extreme hardship on business there. Soon after this, on January 25, 1937, the Union and New Haven Trust Company, at the request of the Hamden Chamber of Commerce, opened a branch in Hamden, filling a definite need for a bank in that community. In February, 1940, the old Hamden bank building was purchased by the Trust Company for \$47,000. Both of these Branch Banks were steps in the right direction, giving these communities banking with safety.

A new service was opened to the public in January, 1938, when the First National and the New Haven Bank offered the use of registered checks for sale. Many New Haveners, not having enough money to open checking accounts, but wishing to have receipts for the payment of bills, found that these registered checks answered the purpose. These checks are written and signed by the purchaser, who pays the amount of the check plus ten cents for registering and handling it, to the bank. When the check is returned to the bank, the purchaser may have it as his receipt if he wants it. The number of people using these checks has increased to the point where it is now profitable business for these banks. Many people find these checks most convenient for paying income taxes, for it is an ideal record of payment.

In this same year, 1938, the banks of the city rented International Business Machine Company Block machines or purchased National Cash Register Block machines which have increased the speed and efficiency in the handling of checks.

At the last session of the General Assembly, 1941, the savings

banks of Connecticut were allowed to set up insurance departments and issue insurance up to \$3,000 on the life of any Connecticut resident. The Connecticut Savings Bank of New Haven opened its insurance department soon after. Savings banks were also allowed to loan up to \$1,000 on the joint signatures of two or more persons; these loans to be paid off in weekly or monthly installments. Loans may also be made against the cash surrender value of life insurance policies.

Insurance written by the Connecticut Savings Bank amounted to \$440,000 on the lives of 507 persons on December 31, 1943. By August, 1945, this amount had risen to \$766,750 on 872 persons. Considering that Mutual Savings Bank life insurance is only 4 years old, this bank anticipates a continued rise as more of New Haven's people realize the advantage of this insurance plan.

By 1945 the three mutual savings banks of New Haven, New Haven Savings Bank, Connecticut Savings Bank, National Savings Bank, have together made over 48,000 mortgage loans. When you consider that the city has about 44,000 housing units, it would seem that these three banks have served the community well. Of course, many of these loans have been made on houses in the suburbs of New Haven. Under today's set up of amortized mortgages, most of these loans are paid up in 18 to 25 years. However, the National Savings Bank has still one mortgage on its books that was made on August 23, 1867, for \$1,000. This has been reduced to \$500 by payments made during the 78 years. The interest payments have always been regularly paid. Many people still like to keep a small mortgage on their homes. That the National Savings Bank is conservatively run can be shown by the fact that it has never loaned money on real estate in the center of the city but prefers to do its lending to individuals for the purchase of homes. The New Haven Savings Bank has done an outstanding job in financing the building of new churches, both Catholic and Protestant, in and around the city.



When the City of New Haven in November, 1938, found it necessary to borrow money for operating expenses, the three mutual savings banks came to the aid and loaned the city \$300,000 for 65 days at a total cost to the city of \$54.17 or a rate of one-tenth of 1%. (*New Haven Register* 11/23/38.)

The earliest record of safe deposit boxes that your writer could find reveals that charges made for boxes were from \$5 up. Banks today, seventy-five years later, still rent a fair sized box for the same price even though they have built expensive vaults, fire, burglar proof and water proof and have increased the services available to their customers. The only increase in cost for this additional protection is the 20% tax levied by the government on all safe deposit boxes which are now filled, we imagine, with war savings bonds. At the present time, almost all safe deposit boxes are rented and all banks have long waiting lists. Because of war restrictions on steel, no new boxes are available.

The National Savings Bank purchased the land and building at 151 Orange Street in October, 1944. This piece of property is just north of the present building and is being remodeled at the present time. This bank has grown rapidly and more floor space is needed for efficient operation. The New Haven Savings Bank now owns the building directly across the street from the Trust Company. Tentative plans call for a new bank building at that location.

## CHAPTER VIII

# BANKING DAYS DURING THE SECOND WORLD WAR

**W**HAT WERE THE LOCAL BANKS doing during the years of the second World War, even though they were not on the essential industry list?

First, they were selling War Bonds as they have always done in past wars without cost to the government, but at large expense to the banks themselves. Twenty men and women in the ten banks were spending their full time handling this big job, and many others in the banks were devoting a part of their time to this work. The only figures available seem to indicate that local banks had either sold to or purchased for local individuals or corporations well over \$188,000,000 worth of war bond securities up to the end of the seventh war loan drive.

Second, local banks were making loans to corporations to enable them to produce essential goods, such as, guns, ammunition, airplanes, tank parts, etc. Some of these were secured under regulation V, but many more were without security.

Third, they were handling for deposit (after January 27, 1943) the coupons used to ration goods such as coffee, sugar, shoes, canned foods, meats and gasoline. In most of the banks the work was done in the personal loan departments where work had become slack because of regulation W and a lack of durable goods for sale. Banks received some pay from the government for this work, but only a part of the actual cost.

Fourth, they were handling huge sums of cash for making up pay-rolls for essential industries and for Army Training Camps here. They also cashed checks for soldiers. The banks found that they were handling about three times as much cash as ever before in local bank history.

Fifth, all of the local banks were designated as air raid shelters in the event of raids, and each bank had set up a shelter in its building for the convenience of its customers and the public.

Sixth, they are now the collecting agents for withholding taxes and have turned over to the government over 40 million dollars that they have collected. (June 1945.)

All this, along with the tremendous increase in holdings of government securities in their own portfolios, makes it seem that the banks did their part. Government securities holdings as of December 30, 1944, totaled over \$200,000,000 in both commercial and savings banks.

In what way did the banks' personnel respond to the war effort? One hundred and fourteen young men and women from the banks have been in active service. Many of the men from the banks worked on "split shifts" after banking hours, putting in four hours a night in defense plants. Many others, both men and women, have served as chairmen of war loan drives, plane spotters, draft board officials, air raid wardens, coast guard patrollers, ambulance drivers, radio and communications officials, workers for war fund drives, blood donors, hospital attendants, ration board officials, Red Cross workers, USO workers, defense center operators, police and fire auxiliary men, etc., all without pay.

Quite a number of men left banking to work in factories and the number of women in the local banks now exceeds the men. Bookkeeping, transit, and block clerks are mostly women now, where formerly these positions were held by men; and the women are doing a fine job.

Although this story is devoted to commercial and savings banks,

three other banks in the city deserve mention. They are the First Federal Savings and Loan Association, the Morris Plan Bank of New Haven, and the General Industrial Bank.

The First Federal Savings and Loan Association of New Haven was granted a charter on December 4, 1934, and immediately opened for business. At that time it was difficult to borrow money for mortgages from the banks in the city. Many of the city's mortgage companies either had gone out of business during the depression or had no new money to loan. Savings banks had little money to put into new mortgages and they were restricted to loans of not more than 50% of the appraisal value on homes. Homes could be purchased at an attractive price for an individual who had a thousand dollars in cash, creating a demand for mortgage loans.

The original subscribers invested \$10,918 in the new association and customers purchased share accounts along with investment certificates in denominations of \$100 each. At first, it was necessary to borrow money from the HOLC and U. S. Treasury but this was soon discontinued. Certificates are guaranteed up to \$5,000 by the Federal Savings and Loan Insurance Corporation by an act of Congress.

More than 2,000 mortgage loans have been made, and on December 31, 1945, the outstanding amount of mortgages was \$7,656,021. Interest and principal payments are made on a monthly basis and nearly all are loans on private homes. Better than 30% of the bank's assets are in cash or government bonds at the present time. Total resources on December 31, 1945, were \$12,601,440. This bank has grown to fill an important place in the community and is owned and controlled by its local shareholders. In June, the Association moved into the Powell building at Court and Church Streets.

The Morris Plan Bank of New Haven was organized on December 14, 1914, for the purpose of making small loans payable weekly or monthly. Loans are made from \$50 to \$5,000, although the majority

are small loans. In 1940, this bank made loans of \$1,820,000 which included personal, furniture, electrical equipment, automobile and mortgage loans. This bank has progressed well, starting with a capital of \$100,000, present capital being \$260,000. Dividends of 5% were paid in 1916 and have been paid every year since, ranging from 6% to 10%. Common stock has a par value of \$100; the book value in 1940 was \$219.31 a share, and on December 31, 1943, it was \$223 a share. Deposits (investment certificates) totaled \$1,383,644 and resources totaled over two million dollars on December 31, 1943.

The General Industrial Bank opened its doors on February 1, 1928, with a capital of \$100,000. Deposits are taken in the form of investment certificates either fully paid up or installment certificates. Loans of the two- or three-name paper type, or collateral loans are made from \$50 to \$5,000. Loans can be made on conditional sales contracts on furniture, automobiles, and electrical appliances up to 10% of the capital. Other types of loans are second mortgages, chattel mortgages, and loans against trade acceptances. These loans hit a high in 1941-42 of one million dollars gross volume of business. By December 31, 1943, this bank had accumulated a surplus of \$50,000; undivided profits of \$52,943 and total resources of \$630,877.68. Interest on investments at the present time is 2½%, payable semi-annually.

THREE building and loan associations conduct their business in the city of New Haven. They were founded for the purpose of assisting local citizens to own their own homes by systematic saving. They operate under the supervision of the Connecticut State Banking Department and are examined each year by the Bank Commissioner's Staff. The shareholders (depositors) are the owners of the association, there being no stockholders. First mortgage loans constitute the major part of the assets of these associations.

The New Haven Building and Loan Association was organized on October 23, 1890, and incorporated on June 30, 1893. Frederick



L. Trowbridge was elected the first president. The first place of business was at 400 State Street, from there they moved to 35 Center Street and now operate on the northwest corner of Center and Orange Streets. Total assets on December 31, 1945, were over \$2,000,000 and they have accumulated an undivided profit and reserve account of over 10% of the liabilities as an added protection to shareholders. Interest is paid semi-annually at the rate of 3% a year.

The New Haven Progressive Building and Loan Association organized at a meeting held in Todds Hall on November 5, 1890. Mr. A. McCullough, the first president, subscribed to the first shares in January 1891. The Association now operates at 159 Court Street next to the New Haven Police Station. On December 31, 1945, total assets were \$2,188,807 and reserves and undivided profits totaled \$166,228. At the present time, 3% interest is paid to shareholders.

The Elm City Building and Loan Association was incorporated on February 10, 1925, and began business on May 1, in the same year at 878 Elm Street. William C. Perry has been the only president of this association. The total assets on December 31, 1945, were \$158,219 and surplus and undivided profits were \$10,290. From the date of incorporation until 1941, dividends were paid at the rate of 6% and at the present time pay 4%. They now operate at 746 Chapel Street,



TRADESMENS NATIONAL BANK



NEW HAVEN BANK N. B. A.



## SUMMARY

THIS STORY TELLS the growth of banking in a typical New England city, how it grew from one bank in 1796 with one person on the working staff to 10 banks and two branches employing approximately 650 men and women in 1946. The New Haven Bank N. B. A. now 150 years old, is the oldest corporation in the city, New Haven Savings Bank is 108 years old, Second National Bank 91, Tradesmens National Bank 91, Connecticut Savings Bank 89, First National Bank 83, National Savings Bank 81, Union and New Haven Trust Company 75, American Bank 32 and the Community Bank 15 or an average of 81 years. Can any other industry in the city match this record?

Deposits today total 200 times greater than they were in 1864. Banks in the beginning loaned money and issued currency. In 1946 a banker must be familiar with many different fields of finance. Trust departments in banks demand specialists in law, investment, taxes and operation. This is true in our city, for each bank has capable men to handle funds as agent, attorney, trustee, executor or administrator. Small accounts are handled just as carefully as large accounts and statements are rendered periodically. The credit and loan departments in the local banks maintain their own credit files and cannot be compared with those of banking a hundred years ago. With foreign departments, analysis, auditing, personal loans, automobile loans, insurance loans, corporation loans, collateral loans, Regulation V loans, mortgage loans, ration banking,

payroll departments, savings, vacation clubs, Christmas clubs, special checking accounts, registered checks, checkmaster, bank money orders, safe keeping, safe deposit, transit, bookkeeping, savings bank life insurance, taxes, advertising, new business, etc., banking now demands of its employees a thorough knowledge of accounting, economics, taxes and law. Today's progressive bankers find the courses given by the American Institute of Banking and the American Banking Association, a method of keeping up to date.

The Trust departments in the city now handle more than 175 million dollars in assets for their customers, a tremendous rise in the past 25 years. The high point to date in personal loans outstanding was \$2,730,000. This figure will seem extremely small a few years from now as durable goods return to the market and regulation W is lifted. To sum it all up, banking is an extremely interesting vocation to a progressive individual.



## APPENDIX

TABLE 3  
SHOWING GROWTH IN NUMBER OF BANKS IN  
THE UNITED STATES AND NEW HAVEN

YEAR	UNITED STATES	NEW HAVEN
1801	30	1
1811	88	2
1815	208	3
1829	329	2
1834	506	4
1837	788	4
1844	696	5
1850	824	5
1855	1,307	9
1860	1,562	11
1865	1,643	12
1875	2,662	14
1885	3,704	14
1890	5,734	13
1897	8,030	14
1904	13,297	14
1907	17,891	15
1910	21,486	15
1913	24,308	16
1917	26,309	15
1921	29,417	16
1925	27,639	17
1928	25,125	17
1929	24,258	18
1930	23,045	18
1931	21,123	16
1932	18,282	12
1933	13,805	9
1938	14,651	10
1943	14,618	10
1944	14,535	10

} plus 2  
branch  
banks

Total bank figures to 1834 taken from the various dates in Schultz and Caine, *Financial Development of the United States*, (Prentice-Hall, Inc., 1937).

See *Banking Studies*, Federal Reserve Bank, for dates from 1834 to 1943, p. 418.

Local bank figures compiled by the writer.

TABLE 4  
COMPARISON OF LOAN TRENDS

DATE	LOANS AND DISCOUNTS	
	<i>New Haven</i>	<i>Nation</i>
	LOCAL COMMERCIAL BANKS IN THOUSANDS OF DOLLARS	IN ALL BANKS IN THE UNITED STATES IN MILLIONS OF DOLLARS AS OF JUNE 30
1897 October 5	7,729	
1903 June 9	9,529	
1905 November 9	10,459	
1908 September 23	11,857	
1910 September 1	13,549	
1912 June 14	15,735	
1915 November 10	20,381	15,658*
1920 December 29	31,095	30,732
1925 April 6	51,488	33,729
1928 December 31	70,029	39,507
1930 December 30	67,457	40,497
1933 January 30	35,596	22,243
1937 January 30	30,272	22,410
1940 June 29	30,710	22,340
1942 June 30	30,997	25,081
1943 December 31	23,302	22,241
1944 December 30	19,192	26,015

\*June 23.

National figures from *Banking and Monetary Statistics* published by the Board of Governors of the Federal Reserve System, Table 2, p. 18.

Local figures compiled by writer from published bank statements.

TABLE 5  
COMPARISON OF TRENDS OF DEPOSITS IN  
NEW HAVEN WITH THE NATION

DATE	<i>New Haven</i>	<i>Nation</i>
	IN THOUSANDS OF DOLLARS	IN MILLIONS OF DOLLARS AS OF JUNE 30 OR NEAREST AVAILABLE DATE
1864	1,636	
1897 December	6,524	4,990
1900 "A"	8,662	7,110
1906 January 29	12,825	11,860
1910 January 31	15,532	14,710
1915 January 1	18,035	18,880
1920 May 4	51,257	35,690
1923 April 1	57,643	38,760
1928 January 1	88,236	51,100
1929 "B"	101,741	51,550
1930 December 31	93,819	51,150
1931 December 31	79,103	49,270
1932 December 31	55,907	40,830
1933 December 30	63,985	36,930
1934 December 31	55,149	41,210
1935 December 31	60,917	45,160
1937 December 31	66,852	51,890
1940 December 31	77,399	60,260
1941 December 31	96,164	67,172
1942 December 31	124,169	72,382
1943 June 30	148,352	94,347
1943 December 31	155,314	104,000
1944 December 30	225,153	141,449

A—State Banks as of January 1; National Banks as of February 13.

B—State Banks as of September 30; National Banks as of October 4.

The local figures are all deposits in commercial banks and were compiled by the writer from published bank statements.

The national figures are taken from *Banking Studies*, Federal Reserve Bank, p. 447 for the years through 1940, and from the *Federal Reserve Bulletin* of March 1944 for the years 1941 through 1943.

TABLE 6

COMPARATIVE STOCK QUOTATIONS OF BANKS IN  
NEW HAVEN, CONNECTICUT

NAME	12-26-1892		1-7-1905		10-3-1929		8-24-1945	
	PAR.	BID	DIV.	BID	DIV.	BID	DIV.	BID
American	100				12	400	4	110
Broadway	100				7	175		
City	100	121	6	140				
Citizens	100				4	105		
Community	25						4	32
First National	100	140	8	156	12	400	5	68
Mechanics	60	63	4	60	16	670		
Merchants	50	48	6	65	8	200		
New Haven	100	170	8	198	12	400	6	90
New Haven County	10	14	6	16				
New Haven Trust	100		6	110				
Second National	100	170	8	198	12	400	6	90
Tradesmens	100	138	8	180	9	215	4	106
Union Trust Co.	100		6	130				
Union & New Haven Trust	100				12	400	5	130
Yale	100	109	6	133				

Dividends in percentages to par value.

Par values of First, New Haven, and Second in 1945: \$50 each.

Note the comparison between the New Haven Bank and the Second National. For more than 75 years these two banks' earnings, their dividends, and the purchase price of their stocks have been relatively the same.



## COMPLETE LIST OF NEW HAVEN'S BANKS

	ORIGINAL NAME	INC.	OPENED	CLOSED	MERGED
* 1	New Haven Bank	1792	1796		
2	Eagle Bank	1811	1811	1825	
3	Savings Bank of New Haven	1820	1820	1825	
4	Mechanics Bank	1824	1825	1932	
5	City Bank	1831	1832		1915
6	New Haven County Bank	1834	1834		1915
* 7	New Haven Savings Bank	1838	1838		
8	Merchants Bank	1851	1851		1932
9	Quinnipiack Bank	1853	1853		1865
10	Elm City Bank	1854	1855		1865
* 11	Tradesmens Bank	1855	1855		
* 12	Connecticut Savings Bank	1857	1857		
13	City Savings Bank	1860	1860	1874	
* 14	First National Bank	1863	1863		
15	Yale National Bank	1865	1865		1918
* 16	Second National Bank	1865	1865		
* 17	National Savings Bank	1866	1866		
18	Union Trust & Safe Deposit Co.	1868	1871		1911
19	New Haven Trust Co.	1871	1872	1874	
20	Operatives Savings Bank	1872	1880	1882	
21	Trust & Safe Deposit Co.	1895	1896		1911
22	Peoples Bank & Trust Co.		1905		1921
* 23	Union & New Haven Trust Co.	1910	1911		
24	Orange Bank of West Haven	1911	1912		
25	Broadway Bank and Trust Co.	1911	1913	1931	
* 26	American Bank and Trust Co.	1911	1914		
27	Citizens Bank and Trust Co.	1897	1921	1930	
28	West Haven Bank and Trust Co.		1922	1931	
29	Congress Bank and Trust Co.		1923		1932

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	ORIGINAL NAME	INC.	OPENED	CLOSED	MERGED
30	Home Bank & Trust Co. of West Haven		1924		1931
31	Hamden Bank & Trust Co.		1925	1931	
32	East Haven Bank and Trust Co.		1929		1932
33	Columbus Bank		1930		1932
*34	Community Bank and Trust Co.		1931		
*35	West Haven branch—First National		1936		
*36	Hamden branch—Union and New Haven Trust		1937		

\*Operating in 1946

## REMARKS

- 1—National New Haven Bank, 1865; New Haven Bank N. B. A., 1915
- 3—Liquidated without loss to depositors
- 5—Merged with National New Haven Bank, 1915
- 6—New Haven County National Bank, 1865; merged with National New Haven, 1915
- 8—Merchants National, 1865; taken over by First National in 1932
- 9—Became Yale National
- 10—Became Second National
- 11—National Tradesmens, 1865; Tradesmens National, 1933
- 13—Townsend City Savings Bank, 1861; Townsend Savings Bank, 1863
- 14—Absorbed Yale National, 1918; East Haven Bank, 1932; Merchants National, 1932
- 15—Formerly Quinnipiack Bank; merged with First National in 1918
- 16—Formerly Elm City Bank
- 18—Union Trust Company, 1872; Union and New Haven Trust Co., 1911
- 19—Liquidated without loss to depositors
- 21—New Haven Trust Co., 1897; Union & New Haven Trust Co., 1911
- 22—Taken over by Union and New Haven Trust Co.
- 23—Merger of New Haven Trust Co. and Union Trust Co.
- 29—Formerly Adler, Salzman and Adler, private bankers; taken over by Union & New Haven Trust in 1932
- 30—Taken over by West Haven Bank
- 32—Taken over by First National Bank
- 33—Taken over by Community Bank & Trust Co.
- 34—Formerly Pallotti & Andretta, private bankers; absorbed Sons of Italy Industrial Bank; also Columbus Bank

PRESIDENTS OF THE NEW HAVEN CHAPTER  
AMERICAN INSTITUTE OF BANKING

	YEAR				
W. Perry Curtiss	-	-	-	-	1915-1916
George S. Stirling	-	-	-	-	1916-1917
Frank E. Tester	-	-	-	-	1917-1918
R. Edwards Chambers	-	-	-	-	1918-1919
George E. Tester	-	-	-	-	1919-1920-1921
George R. Willis	-	-	-	-	1921-1922
Louis D. Kennedy	-	-	-	-	1922-1923
William L. McArthur	-	-	-	-	1923-1924
Harry G. Wiberg	-	-	-	-	1924-1925
G. Harold Welch	-	-	-	-	1925-1926
Joseph H. Allen	-	-	-	-	1926-1927
William G. Cleaver	-	-	-	-	1927-1928
Harold L. Mix	-	-	-	-	1928-1929
Phelps Lewis	-	-	-	-	1929-1930
Sheldon L. Stirling	-	-	-	-	1930-1931
J. Coy Reid	-	-	-	-	1931-1932
George W. Kusterer	-	-	-	-	1932-1933
Albert M. Gesler	-	-	-	-	1933-1934
Robert A. Pratt	-	-	-	-	1934-1935
Kendall P. Foster	-	-	-	-	1935-1936
William S. Guardenier	-	-	-	-	1936-1937
Albert C. Murphy	-	-	-	-	1937-1938
William F. Hasse, Jr.	-	-	-	-	1938-1939
Frederic M. Baldwin	-	-	-	-	1939-1940
John C. Robinson	-	-	-	-	1940-1941
F. Donald Sperry	-	-	-	-	1941-1942
Paul C. Benson	-	-	-	-	1942-1943
Miss Grace Fisher	-	-	-	-	1943-1944
Edward Fowler	-	-	-	-	1944-1945
Charles E. VanDine	-	-	-	-	1945-1946
W. Herbert Frost	-	-	-	-	1946-1947

NEW HAVEN'S PAST PRESIDENTS OF  
THE CONNECTICUT BANKERS ASSOCIATION

ORGANIZED 1898

1899	Charles R. Trowbridge
1909	C. C. Barlow
1915	W. H. Douglass
1917	Charles T. Treadway
1926	Ralph E. Herman
1931	George R. Willis
1933	Warren M. Crawford
1936	Edward M. Gaillard
1939	Thomas M. Steele
1945	Dwight L. Chamberlain

PAST PRESIDENTS OF THE NEW HAVEN CONFERENCE  
OF BANK AUDITORS AND COMPTROLLERS

1939	Arthur C. T. Beers
1940	H. Wick Chambers, Jr.
1941	Richard T. Jones
1942-3	Thomas Y. Webster
1944	William F. Hasse, Jr.
1945	Harold E. Erickson

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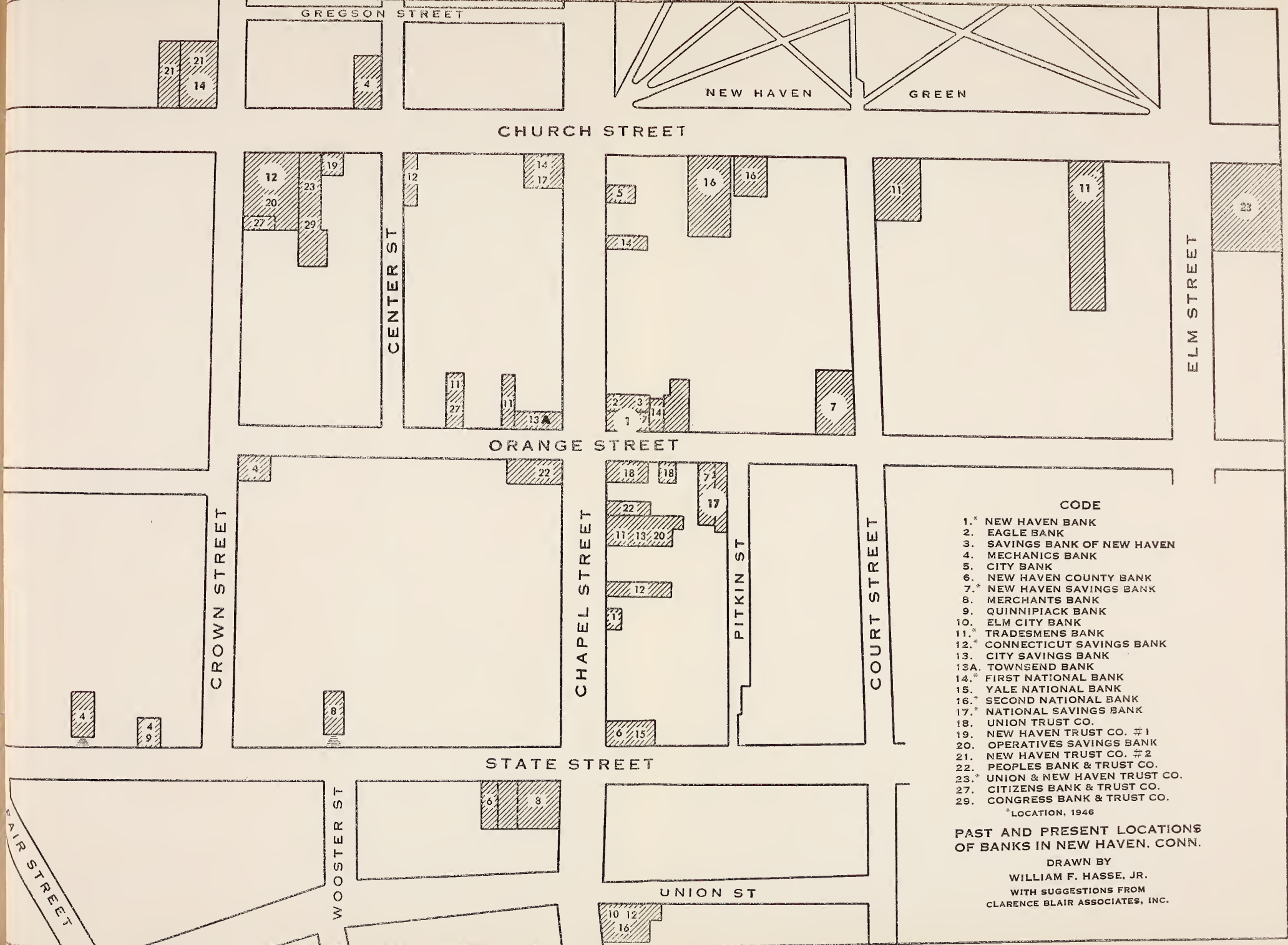
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- Columbian Register
- Connecticut Journal
- The New Haven Journal-Courier (morning newspaper)
- The New Haven Register (evening and Sunday newspaper)
- The Saturday Chronicle—1902 to 1918
- Old Connecticut Savings Bank's passbooks
- All kinds of old bank documents, ledgers, statements, bank bills, etc.



CHURCH STREET

ORANGE STREET

STATE STREET

UNION ST

CODE

- 1.\* NEW HAVEN BANK
2. EAGLE BANK
3. SAVINGS BANK OF NEW HAVEN
4. MECHANICS BANK
5. CITY BANK
6. NEW HAVEN COUNTY BANK
- 7.\* NEW HAVEN SAVINGS BANK
8. MERCHANTS BANK
9. QUINNIPIACK BANK
10. ELM CITY BANK
- 11.\* TRADESMENS BANK
- 12.\* CONNECTICUT SAVINGS BANK
13. CITY SAVINGS BANK
- 13A. TOWNSEND BANK
- 14.\* FIRST NATIONAL BANK
15. YALE NATIONAL BANK
- 16.\* SECOND NATIONAL BANK
- 17.\* NATIONAL SAVINGS BANK
18. UNION TRUST CO.
19. NEW HAVEN TRUST CO. # 1
20. OPERATIVES SAVINGS BANK
21. NEW HAVEN TRUST CO. # 2
22. PEOPLES BANK & TRUST CO.
- 23.\* UNION & NEW HAVEN TRUST CO.
27. CITIZENS BANK & TRUST CO.
29. CONGRESS BANK & TRUST CO.

\*LOCATION, 1946

PAST AND PRESENT LOCATIONS  
OF BANKS IN NEW HAVEN, CONN.

DRAWN BY  
WILLIAM F. HASSE, JR.  
WITH SUGGESTIONS FROM  
CLARENCE BLAIR ASSOCIATES, INC.









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